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A	BOSTON PRIVATE BANCORP INC	10Q	03-31-92
B	DIMENSION GROUP INC	10Q	09-30-91
C	JEWETT-CAMERON TRADING CO LTD	10Q	05-31-92
D	MAGAININ PHARMACEUTICALS INC	10Q	03-31-92
E	MARCAM CORP	10Q	03-31-92
F	MEDITECH MANAGEMENT INC	10Q	03-31-92
G	NASTECH PHARMACEUTICAL CO INC	10Q	03-31-92
H	OVONIC SYNTHETIC MATERIALS CO INC	10Q	03-31-92
I	OZITE CORP	10Q	01-31-92
J	PIERCE INTERNATIONAL GOLD INC	10Q	09-30-91
K	PINNACLE BANC GROUP INC	10Q	03-31-92
L	PROGRESSIVE BANCORPORATION INC	10Q	03-31-92
M	REEVES INDUSTRIES INC	10Q	03-29-92
N	RHNB CORP	10Q	03-31-92
O	RHODES (M.H.) INC	10Q	03-31-92
P	RINI-REGO SUPERMARKETS INC	10Q	04-04-92
Q	ROCHESTER & PITTSBURGH COAL CO	10Q	03-31-92
R	SCIENTIFIC MEASUREMENT SYSTEMS INC	10Q	01-31-92
S	SECURITY CHICAGO CORP	10Q	03-31-92
T	TARIS INC	10Q	03-31-92
U	TECHSCIENCE INDUSTRIES INC	10Q	07-31-91
V	TRANSACT INTERNATIONAL INC	10Q	01-31-92
W	VERNITRON CORP	10Q	03-31-92
X	WALNUT EQUIPMENT LEASING CO INC	10Q	01-31-92

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended: March 31, 1992 Commission File No: 0-17089

BOSTON PRIVATE BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

COMMONWEALTH OF MASSACHUSETTS	04-2976299
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification Number)
ONE WINTHROP SQUARE, BOSTON, MA	02110
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (617) 556-1900

Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report: NONE

Indicate by Check Mark Whether the Registrant (1) Has Filed All Reports Required to be Filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 During the Preceding 12 Months (or for Such Shorter Period that the Registrant was Required to File Such Reports), and (2) Has Been Subject to Such Filing Requirements for the Past 90 Days.

YES (X) NO_____

Indicate the Number of Shares Outstanding of Each of the Issuer's Classes of Common Stock as of the Latest Practicable Date.

CLASS	OUTSTANDING AT MARCH 31, 1992
Common Stock, Par Value $1.00	871,679 Shares

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BOSTON PRIVATE BANCORP, INC. AND SUBSIDIARY

FORM 10-Q

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Boston Private Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

	March 31, 1992	December 31, 1991
ASSETS		
Cash and due from banks	$ 1,672,609	$ 1,979,745
Federal funds sold	4,647,865	5,688,935
Investment securities	5,652,495	6,663,879
Mortgage-backed securities	3,092,342	3,302,134
Loans:		
Commercial	33,815,838	34,372,122
Mortgage	25,712,043	24,856,844
Home equity and other	5,730,362	5,656,487
	65,258,243	64,885,453
Less allowance for possible loan losses	2,235,172	2,202,690
Net loans	63,023,071	62,682,763
Other real estate owned	1,834,879	1,221,899
Banking premises and equipment	359,565	392,867
Deferred organization costs	25,105	38,410
Goodwill	375,254	384,557
Accrued interest receivable	536,383	589,066
Other assets	125,212	84,712
Total assets	$ 81,344,780	$ 83,028,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposit	71,466,239	73,239,208
Repurchase agreements	3,342,231	2,997,341
Accrued interest payable	186,080	228,701
Other liabilities	171,090	228,045
Total liabilities	75,165,640	76,693,295
Stockholders' equity:		
Common stock, $1.00 par value per share; shares authorized - 4,000,000; shares issued - 871,679 in 1992 542,632 in 1991 and 1990	871,679	871,679
Additional paid-in capital	9,025,312	9,025,312
Accumulated deficit	(3,717,851)	(3,561,319)
Total stockholders' equity	6,179,140	6,335,672
Total liabilities and stockholders' equity	$ 81, 44,780	$ 83,028,967

Boston Private Bancorp, Inc. and Subsidiary
Consolidated Statements of Income
Three months ended March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
Interest income:		
Loans:		
Commercial	$ 653,315	$ 947,837
Mortgage	537,728	797,516
Home equity and other	108,336	141,045
Investment securities	115,266	127,745
Mortgage-backed securities	64,572	106,078
Interest-bearing deposits and other short-term investments	40,143	159,036
Total interest income	1,519,360	2,279,257
Interest expense:		
Savings	90,956	103,942
NOW	48,922	63,056
Money market	167,533	242,675
Repurchase agreements	27,059	13,840
Certificates of deposit	425,283	1,138,121
Total interest expense	759,753	1,561,634
Net interest income	759,607	717,623
Provision for possible loan losses	333,100	180,850
Net interest income after provision for possible loan losses	426,507	536,773
Non-interest income:		
Deposit account service charges	25,932	16,489
Trust and investment management	76,873	70,908
Gain on sale of loans	- -	50,818
Other	21,075	15,694
Total non-interest income	123,880	153,909
Non-interest expense:		
Salaries and employee benefits	306,282	330,785
Occupancy	52,085	71,656
Equipment	33,706	29,834
Foreclosure expense	36,081	54,798
Legal expense	58,764	62,881
FDIC insurance premiums	41,866	48,142
Other	178,135	149,927
Total non-interest expense	706,919	748,023
Income (loss) before income taxes	(156,532)	(57,341)
Income tax expense	- -	- -
Net income (loss)	$ (156,532)	$ (57,341)
Earnings (loss) per share	$ (0.18)	$ (0.11)

Boston Private Bancorp, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Three months ended March 31, 1992 and 1991

	March 31, 1992	March 31, 1991
Cash flows from operating activities:		
Net income	$ (156,532)	$ (57,341)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,722	67,638
Gain on sale of loans	- -	50,818
Provision for possible loan losses	333,100	180,850
Write down of real estate owned	8,896	41,079
(Increase) decrease in:		
Accrued interest receivable	52,683	123,223
Other assets	(40,500)	32,717
Increase (decrease) in:		
Accrued interest payable	(42,621)	(162,824)
Other liabilities	(56,955)	(21,611)
Total adjustments	330,325	311,890
Net cash provided by operating activities	173,793	254,549
Cash flows from investing activities:		
Net (increase) decrease in interest-bearing deposits in banks and fed funds sold	1,041,070	8,325,438
Investment securities		
Maturities	1,000,000	- -
Principal payments on mortgage-backed securities	207,204	171,367
Net (increase) decrease in loans	(1,595,808)	2,840,428
Sale of other real estate owned	300,524	- -
Capital expenditures	(5,840)	(368)
Net cash provided by investing activities	947,150	11,336,865
Cash flows from financing activities:		
Net decrease in deposits:	(1,772,969)	(7,411,760)
Net increase (decrease) in repurchase agreements	344,890	(3,107,258)
Net cash used in financing activities	(1,428,079)	(10,519,018)
Net increase (decrease) in cash	(307,136)	1,072,396
Cash at beginning of year	1,979,745	1,789,665
Cash at end of quarter	$ 1,672,609	$ 2,862,061
Cash paid during the quarter for interest	$ 802,374	$ 1,724,458
Cash paid during the quarter for taxes	$ -0-	$ -0-
Non-cash transactions:		
Foreclosures and in-substance foreclosures	$ 922,400	$ -0-

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PART I. Financial Information

ITEM 2. Management's Discussion

BOSTON PRIVATE BANCORP, INC., (the Company) is a one-bank holding company which holds all of the issued and outstanding shares of capital stock of BOSTON PRIVATE BANK & TRUST COMPANY (the Bank), a Massachusetts chartered trust company. Of the 4,000,000 shares authorized, par value $1.00, 871,679 shares of BOSTON PRIVATE BANCORP, INC. are presently issued and outstanding.

The unaudited interim consolidated financial statements of BOSTON PRIVATE BANCORP, INC. (the Company) and its subsidiary BOSTON PRIVATE BANK & TRUST COMPANY (the Bank) have been prepared in accordance with generally accepted accounting principles and include all necessary adjustments which in the opinion of management are required for a fair presentation of the results and financial condition of the Company.

It is recommended that these interim financial statements be read in conjunction with the December 31, 1991 consolidated financial statements and accompanying notes included in the Annual Report to Shareholders.

Under the Stock Option Plan of the Company, 100,000 shares of BOSTON PRIVATE BANCORP, INC. common stock have been approved for issuance to its officers and employees as a performance incentive. As of March 31, 1992, 82,500 options have been granted of which 16,600 shares have been cancelled due to employees that have left the Bank and 4,000 shares have been exercised, leaving 34,100 options available to be granted.

As a result of a regulatory examination during 1990, the Company signed a written memorandum of understanding with the Regional Director of the Federal Deposit Insurance Corporation ("FDIC") and the Commissioner of Banking of the Commonwealth of Massachusetts ("Commissioner"), which defines an informal program of action agreed upon between the Bank and the regulatory agencies. The memorandum provides for, among other things, maintaining an agreed upon "Tier I Leverage Capital ratio" of 5.5%, reviews of certain policies and procedures, and other administrative and reporting matters. The Bank had a Tier I Leverage Capital ratio of 7.10% at March 31, 1992.

The following is management's discussion and analysis of the financial operations of the Company for the quarter ended March 31, 1992.

FINANCIAL OPERATIONS

SUMMARY OF FINANCIAL RESULTS

BALANCE SHEET

Total assets as of March 31, 1992 were $81,344,780 compared to $83,028,967 at December 31, 1991. For the same dates: total deposits were $71,466,239 compared to $73,239,208; total loans after allowance for possible loan losses were $63,023,071 compared to $62,682,763; commercial loans were $33,815,838 compared to $34,372,122; mortgage loans were $25,712,043 compared to $24,856,844; and, home equity and other were $5,730,362 compared to $5,656,487. Management continues to focus on maintaining strong leverage capital ratios and increasing transaction accounts and retail certificates of deposit as a percentage of total deposits. In light of this, the levels of deposits, loans and total assets should remain fairly static over the next several months.

As of March 31, 1992, the Company had non-accrual loans and other real estate owned (OREO) of $3,800,074 of which $1,965,195 were loans on non-accrual and $1,834,879 were OREO. This represents 4.67% of total assets of $81.3 million. Non-accrual loans were 3.0% of total loans of $65.3 million. This compares with $4,547,237 in non-accrual loans and OREO, of which $3,325,338 were loans on non-accrual and $1,221,899 were in OREO as of December 31, 1991. At December 31, 1991 non-performing assets were 5.48% of total assets and non-performing loans were 5.1% of total loans. During the quarter, the Company successfully completed the disposal of some problem assets. This included the sale of two OREO properties, the receipt of some partial payments on a number of non-accrual loans and the conversion of some non-performing credits back to a performing status. In addition, there were no new loans that became non-performing during the quarter. At March 31, 1992, there were $1,731,036 in loans that were over 90 days delinquent and still accruing. These loans remain on an accrual status because the value of the collateral securing the loans is sufficient to cover principal and accrued interest and because these loans are either in the process of collection or are in the process of negotiation of terms and conditions to obtain additional collateral. At December 31, 1991, there were no loans over 90 days and still accruing.

During the first quarter of 1992, the Company increased its allowance for possible loan losses by $32,482, bringing the total to $2,235,172, compared to $2,202,690 at December 31, 1991. This increase in the allowance was comprised of a provision for loan loss of $333,100, charge offs of $304,368 and recoveries of $3,750. The Company's allowance for possible loan losses, expressed as a percentage of total loans, stands at 3.43% as of March 31, 1992 compared with 3.39% at December 31, 1991. The Company's allowance for possible loan losses is 113.7% of non-accrual loans at March 31, 1992 compared to 66.2% of non-accrual loans at December 31, 1991.

The composition of the Company's balance sheet remained relatively static during the first three months of 1992 Commercial loans decreased $556,284, mortgage loans increased $855,199, and home equity loans increased $73,875 for a net increase in loans of $372,790 during the first three months of 1992. Cash and liquid securities decreased from $17,634,693 at December 31, 1991 to $15,065,311 at March 31, 1992. The Company continues to seek additional sources of lower cost transaction and retail certificate of deposit accounts to replace some of its higher cost jumbo certificates of deposit.

Total deposits decreased $1,772,969 from $73,239,208 at December 31, 1991 to $71,466,239 at March 31, 1992. The current rate environment has, to some degree, accelerated the disintermediation within the whole banking industry. During the period, a modest outflow of deposits occurred because at the current rates some clients chose to transfer the funds from maturing certificates of deposit into other types of non-bank investment vehicles.

Liquidity is defined as the ability to meet current and future financial obligations. The Company further defines liquidity as the ability to respond to the needs of its depositors and borrowers and to earnings enhancement opportunities. Accordingly, cash and liquid securities as of March 31, 1992 were $15,065,311 or 18.5% of assets compared to $17,634,693 or 21.2% of assets at December 31, 1991. The Bank's membership in the Federal Home Loan Bank of Boston gives it access to both long and short term borrowings which can assist in match funding its assets and provide a significant secondary source of liquidity. The Bank currently has no outstandings under this line. Management believes that the Company's liquidity is adequate.

Total stockholders' equity of the Company decreased from $6,335,672 at December 31, 1991 to $6,179,140 at March 31, 1992 as a result of the Company's net loss for the quarter.

In April 1991, the Bank signed a memorandum of understanding (MOU) with the FDIC and the Massachusetts Commissioner of Banks. This MOU defines an informal program of action agreed to between the Bank and the regulatory authorities. The MOU also commits the Company to operating the Bank with a minimum Tier I leverage capital ratio of 5.5%. At March 31, 1992 the Bank's Tier I leverage capital ratio was 7.10%. This compares to a Tier I leverage capital ratio of 7.12% at December 31, 1991.

The Bank is also subject to a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. According to these standards, the Bank had a Tier I risk adjusted capital ratio of 10.75% and a Total risk adjusted capital ratio of 12.29% at March 31, 1992. This compares to a Tier I risk adjusted capital ratio of 10.94% and a Total risk adjusted capital ratio of 12.47% at December 31, 1991. The minimum risk adjusted capital ratios required at the end of 1992 are 4.0% for Tier I and 8.0% for Total.

STATEMENTS OF INCOME, THREE MONTHS ENDED MARCH 31, 1992 and 1991

NET INCOME

The Company recorded a loss of $156,532 or $.18 per share for the three months ended March 31, 1992 compared to a loss of $57,341 or $.11 per share for the same period in 1991. The increase in net interest income of $41,984 and the decrease in non-interest expense of $41,104 were more than offset by an increase in the provision for possible loan losses of $152,250. In addition, in the first three months of 1991 the Company received the benefit of a $50,818 gain on the sale of $4.3 million of its residential mortgage loans. The company did not receive the benefit of any such one-time items during the first three months of 1992.

NET INTEREST INCOME

Net interest income, the difference between interest earned on loans and investments and interest paid on deposits and other sources of funds, is the principal component of the Company's earnings.

For the first three months of 1992 net interest income was $759,607 an increase of $41,984 over the same period in 1991. This 5.9% increase was attributable primarily to a positive trend in the Company's net interest margin. The Company's net interest margin in the first quarter of 1992 was 3.87% compared to 3.11% for the first quarter of 1991. The Company's continued shift away from high cost, large denomination certificates of deposit towards lower cost transaction accounts and retail certificates of deposit has resulted in a steady improvement in the Company's net interest margin. This more favorable net interest margin has more than compensated for the lower volumes of loans and deposits. The Company's net interest margin may come under pressure later this year when the bulk of the Company's adjustable rate mortgage portfolio reprices downward. A lowering of the Bank's prime lending rate without a corresponding decrease in interest rates on deposit accounts would have an adverse affect on this trend as well.

INTEREST INCOME

LOANS

Income on mortgage loans was $537,728 in the first three months of 1992 versus $797,516 in the same period in 1991; home equity and other loans was $108,336 versus $141,045; and commercial loans was $653,315 versus $947,837 for the same period, respectively. All of the decreases were primarily attributable to lower average balances and to a lesser extent, a declining rate environment.

INVESTMENTS

Interest on investments decreased from $392,859 in the first three months of 1991 to $219,981 in the same period in 1992. Lower average balances in the Company's investment securities portfolio were the primary reason for the change.

INTEREST EXPENSE

INTEREST ON DEPOSITS

Interest paid on deposits and repurchase agreements decreased from $1,561,634 in the first three months of 1991 to $759,753 for the same period in 1992. The decrease of $801,881 reflects a decrease of more than $15 million in deposit balances from March 31, 1991 to March 31, 1992. The Bank experienced a decrease of $17.6 million in certificates of deposit in excess of $100,000 between March 31, 1991 and March 31, 1992. This decrease in large denomination certificates of deposit was partially offset by increases in transaction accounts. This favorable change in the Company's deposit mix has lowered its cost of funds and reduced that part of its funding base which is generally considered to be potentially more volatile.

PROVISION FOR POSSIBLE LOAN LOSSES

Management evaluates lending risks, existing and expected economic conditions, loan concentrations and the internal risk ratings of its loan portfolio in order to establish a reasonable allowance for possible loan losses. The provision taken for possible loan losses increased from $180,850 for the first three months of 1991 to $333,100 for the first three months of 1992. This decision to maintain a provision for possible loan losses at such a high level reflects managements belief that the economy in Eastern Massachusetts remains weak and that some of the Bank's borrowing clients will remain susceptible to the uncertain economic conditions for the foreseeable future.

NON-INTEREST INCOME

Fees, charges, investment management income and other income were $123,880 for the three month period ending March 31, 1992 and $103,091 for the same period in 1991. Trust and investment income for the first quarter 1992 was $76,873, 8.4% above the $70,908 for the same period in 1991. Trust assets as of March 31, 1992, were approximately $44.6 million which is 5.1% lower than the level at March 31, 1991. During the quarter, Peter Schaedel, the Company's Chief Investment Officer, resigned and several clients transferred their portfolios from the Company to his new investment management company. The Company has hired an interim replacement, Charles H. Sherrill, and is currently in the process of recruiting a permanent replacement. Management intends to devote significant resources to promote further growth in this area over the next several years.

NON-INTEREST EXPENSES

Total non-interest expenses for the first three months of 1992 decreased $41,104 to $706,919 compared to $748,023 for the same period in 1991. Decreases in salaries and benefits of $24,503, occupancy expense of $19,571 and foreclosure expense of $18,717 were partially offset by an increase in other expense of $28,209. The benefit from these reductions in non-interest expense were the result of the postponement of hiring in a couple of departments, the Company's decision to exercise the option to renew its lease at One Winthrop Square for another five years at favorable terms, and the disposal of some of the Company's problem assets. The increase in the area of the other expense was attributable to an increase in general operating and administrative expenses.

INCOME TAX

No income tax benefit was recorded in connection with the Company's loss for the first quarter of 1992. This reflects the Company's tax loss carryforward status.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - None.

ITEM 2. CHANGE IN SECURITIES - None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES - None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF THE SECURITY HOLDERS - None.

ITEM 5. OTHER INFORMATION - None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K - None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Boston Private Bancorp, Inc.
(Registrant)

May 14, 1992

May 14, 1992
(Date)

Robert H. Bradley
President and Chief
Executive Officer

May 14, 1992
(Date)

L. Mark Panella
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 1991

B92-2237

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

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Commission File Number: 33-26362

DIMENSION GROUP INC.
(Exact name of Registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	59-2839130 (I.R.S. Employer Identification No.)

9942 NW Sixth Place
Plantation, Florida
(Address of principal executive offices)

33324-4906
(Zip Code)

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Registrant's telephone number, including area code: (305) 753-2626

SECTION

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6/17

None

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x . No ___.

8,795,500 Common Shares, $.001 par value were issued and outstanding at September 30, 1991.

DIMENSION GROUP INC.

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DIMENSION GROUP INC.
(A Development Stage Company)
Balance Sheets

ASSETS

	December 31, 1990	September 30, 1991 (Unaudited)
Current Assets		
Cash	$ -	$ -
Total current assets	-	-
Organization expense, net of accumulated amortization	92	50
TOTAL ASSETS	$ 92	$ 50

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1990	September 30, 1991 (Unaudited)
Current Liabilities		
Accrued expenses	$ -	$ 1,711
Total current liabilities	-	1,711
Stockholders' equity		
Common stock - $.0001 par value, 50,000,000 shares authorized - 8,795,500 shares issued and outstanding at September and December, respectively	880	880
Additional paid-in capital	27,052	27,052
Deficit accumulated during the development stage	(27,840)	(29,593)
Total stockholders' equity	92	(1,661)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 92	$ 50

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,		Inception (August 25, 1987) to September 30,
	1991	1990	1991	1990	1991
	(Unaudited)		(Unaudited)		(Unaudited)
Revenues	$ -	$ -	$ -	$ -	$ -
General and administrative expenses	625	4,334	1,753	12,960	29,593
Net (loss)	$(625)	$(4 334)	$(1,753)	$(12,960)	$(29,593)
Net (loss) per common share	$ -	$ -	$ -	$ -	

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Statements of Cash Flows

	Nine Months Ended September 30,		Inception (August 25, 1987) to September 30,
	1991	1990	1991
	(Unaudited)		(Unaudited)
Cash flows from operating activities:			
Net loss	$(1,753)	$(12,960)	$(29,593)
Adjustments to reconcile net loss to net cash required by operating activities:			
Shares issued for services	-	4,320	4,320
Organization costs	-	-	(283)
Amortization of organization costs	42	42	233
Increase (decrease) in accrued expenses	1,711	(87)	1,711
Net cash required by operating activities	-	(8,685)	(23,612)
Cash flows from financing activities:			
Sales of common stock for cash	-	-	21,250
Sale of units to the public	-	-	37,525
Registration costs paid	-	-	(35,163)
Net cash provided by financing activities	-	-	23,612
Net increase (decrease) in cash	-	(8,685)	-
Cash, beginning of period	-	8,685	-
Cash, end of period	$ -	$ -	$ -
Financing activities, non-cash flows:			
Common stock issued in exchange for services	$ -	$ 4,320	$ 6,138

See accompanying notes to financial statements

DIMENSION GROUP INC.
(A Development Stage Company)
Notes To Financial Statements
(Unaudited)

1. FINANCIAL STATEMENTS

The balance sheet as of September 30, 1991, the statements of operations for the three and nine months ended September 30, 1991 and 1990 and the statements of cash flows for the nine months ended September 30, 1991 and 1990 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which included only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of September 30, 1991 and for all periods presented have been made. The results of operations are not necessarily indicative of the results to be expected for the full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the annual Form 10K filed with the Securities and Exchange Commission for the year ended December 31, 1990.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Planned principal operations of the Company have not commenced, and it has had no revenues, earnings or history of operations. The Company's activities, since inception, have consisted of: conceptualizing a projected plan for the Company's business, filing necessary incorporation and organization documents and obtaining minimal financing to support its activities. See "Proposed Business." In June 1975, the Financial Accounting Standards Board, in its Statement No. 7, set forth guidelines for identifying an enterprise in the development stage and the standards of financial accounting and reporting applicable to such an enterprise. In the opinion of the Company, its activities since its inception in August 1987, fall within the referenced guidelines. Accordingly, the Company has reported its activities in accordance with the aforesaid Statement of Financial Accounting Standards No. 7.

Financing of the Company's activities has been provided from the private sale of its Common Stock for cash and a subsequent public offering of 12,500 Units for $37,500 in cash with net proceeds to the Company of $544. At September 30, 1991, the Company had no cash.

There are no material commitments for capital expenditures or long term credit arrangements. The Company's ability to commence and continue operations, as well as its future liquidity condition and capital resources position, are all dependent upon the Company's ability to develop a specific plan of operations, including the acquisition or establishment of a business and/or subsidiary, and to commence and ultimately achieve profitable operations.

The future exercise of the Warrants included in the Units which were sold in connection with the Company's initial public offering, as to which there can be no assurance whatsoever, is a material element in the potential of the Company. Unless a substantial number of Warrants are exercised in the future, the value of the Company will be minimal. Furthermore, unless an economically attractive business combination or business opportunity becomes available to the Company, it is not likely that Warrants will be exercised.

DIMENSION GROUP INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings: None

Item 2. Changes in Securities: None

Item 3. Defaults Upon Senior Securities: None

Item 4. Submission of Matters to a Vote of Security Holders:

None

Item 5. Other Information: None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits - None

(b) During the quarter ended September 30, 1991, no reports were filed on Form 8-K.

DIMENSION GROUP INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dimension Group Inc.
Registrant

Dated: June 4, 1992

Robert F. Harris, President
Treasurer, Principal Accounting
and Financial Officer, Chief
Executive Officer and Director

0 28094
Cl-34896

92 18 7583

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992.

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 5(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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C92-2237

For the transition period from ________________ to ________________
Commission file number: 0-19954

Jewett-Cameron Trading Company, Ltd.
(Exact name of registrant as specified in its charter)

(State or other jurisdiction of incorporation or organization)
British Columbia

(I.R.S. Employer Identification No.)
None

12620 S.W. Hall Blvd., Tigard, OR
(Address of principal executive offices)
(Zip Code)
97223

PROCESSED BY
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(Registrant's telephone number, including area cod
(503) 620-1788

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 0- days.

Yes ____ No X

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ____ No ____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock 4,751,520 Shares

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached hereto and incorporated herein by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

For the first nine months of the current fiscal year, ending May 31, 1992, sales have increased slightly over the nine months ended May 31, 1991. Sales of Jewett-Cameron Lumber that were lost due to the closure of the office in Southern California last year and a general reduction of sales to industrial and government customers has been largely offset by an 11% increase in sales to home improvement center customers. Sales for Material Supply International and Jewett-Cameron South Pacific are up 9% and 26%, respectively. JCSP's sales increased due to increased presence in its market.

Net income before taxes of $759,495 for the nine months ended May 31, 1992, has increased $95,000, or 14%, compared to the same period last year. The increase in income before taxes has resulted primarily from a decrease in overall cost of sales.

Cost of sales as a percentage of net sales decreased to 87% in the first nine months of 1992 from 88% in the same period of 1991. The decrease primarily reflects the elimination of sales in Southern California which had lower gross margins than the Company's other markets, as well as the increase in sales in the retail operations in Tonga.

Administrative expenses for the Company were up $66,000, or 4% over the nine months last year. This is due primarily to an 18% increase in health insurance premiums and the addition of personnel related to home improvement sales. Interest was lower for the nine months due to lower interest rates during the current fiscal year.

Jewett-Cameron Lumber has a net income similar to last year, while Jewett-Cameron South Pacific's net income is up over 100%. Material Supply International continues to operate at a loss, although this loss is lower than the previous year.

Liquidity and Capital Resources.

As of May 31, 1992, the Company had working capital of $2.9 million, up over $[illegible] million from May 31, 1991. This rise is accounted for by the net after tax profits since last year at this time and the reduction of the receivable from an affiliate of over $300,000. Accounts receivable and inventories represent 98% of current assets and both continue to turn over at rates above industry norms.

External sources of liquidity include a bank line of credit for $5 million from the United States National Bank of Oregon which had $2.16 million outstanding as of May 31, 1992, with an unused line at this time of $2.84 million.

Based on the Company's current working capital position, its policy of retaining earnings, the line of credit available and good relations with its banker, the Company has adequate working capital to meet its long- and short-term needs.

The Company has no current capital commitments which would materially affect cash flow or liquidity.

PART II - OTHER INFORMATION

Item 6. Exhibits

Financial Statements

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Jewett Cameron Trading Company, Ltd.
(Registrant)

Date July 14, 1992

(Signature)

Donald Boone
President and Chief Financial
Officer

JEWETT-CAMERON TRADING COMPANY LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - See Notice to Reader)

MAY 31, 1992

DAVIDSON & COMPANY
Chartered Accountants

A Partnership of
Professional Corporations

Telephone (604) 687-0947
Fax (604) 687-6172

Suite 1270
Stock Exchange Tower
609 Granville Street
P.O. Box 10372, Pacific Centre
VANCOUVER, B.C
CANADA V7Y 1G6

NOTICE TO READER

We have compiled the consolidated balance sheet of Jewett-Cameron Trading Company Ltd. as at May 31, 1992 and the consolidated statements of income and retained earnings and changes in financial position for the nine months then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Davidson & Company

Chartered Accountants

Vancouver, Canada

July 9, 1992

JEWETT-CAMERON TRADING COMPANY LTD.

CONSOLIDATED BALANCE SHEET
(expressed in U.S. dollars)
(Unaudited - See Notice to Reader)

MAY 31, 1992

	1992	1991
ASSETS		
CURRENT		
Accounts receivable	$ 3,929,497	$ 3,898,242
Inventory	2,535,306	1,978,763
Prepaid expenses	168,262	81,445
Total current assets	6,633,065	5,958,450
RECEIVABLE FROM AFFILIATE (Note 3)	108,535	410,494
FIXED - net of accumulated depreciation	167,444	154,405
	$ 6,909,044	$ 6,523,349
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (Note 4)	$ 2,162,754	$ 2,724,027
Accounts payable and accrued liabilitie	1,575,711	1,369,898
Total current liabilites	3,738,465	4,093,925
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	493,741	460,709
Additional paid-in capital	583,747	583,747
Retained earnings	2,093,091	1,384,968
	3,170,579	2,429,424
	$ 6,909,044	$ 6,523,349

JEWETT-CAMERON TRADING COMPANY LTD.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
(expressed in U.S. dollars)
(Unaudited - See Notice to Reader)

NINE MONTHS ENDED MAY 31, 1992

	1992	1991
SALES	$18,733,790	$18,716,082
COST OF SALES	16,305,288	16,448,517
GROSS PROFIT	2,428,502	2,267,565
GENERAL AND ADMINISTRATIVE EXPENSES - Schedule	1,669,007	1,603,044
INCOME BEFORE INCOME TAXES	759,495	664,521
INCOME TAXES	231,861	205,100
NET INCOME FOR THE PERIOD	527,634	459,421
RETAINED EARNINGS, BEGINNING OF PERIOD	1,565,457	925,547
RETAINED EARNINGS, END OF PERIOD	$ 2,093,091	$ 1,384,968

JEWETT-CAMERON TRADING COMPANY LTD.

CONSOLIDATED SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES
(expressed in U.S. dollars)
(Unaudited - See Notice to Reader)

NINE MONTHS ENDED MAY 31, 1992

	1992	1991
Bad debts (recovered)	$ 4,710	$ (1,279)
Depreciation	17,809	10,861
Insurance	105,303	70,888
Interest and bank charges	169,946	194,966
Office and miscellaneous	139,556	179,106
Professional fees	77,226	53,814
Rent	79,316	78,982
Repairs and maintenance	14,034	5,130
Telephone and utilities	88,865	80,650
Travel, promotion, and advertising	138,935	170,492
Warehouse expenses and supplies	24,262	20,546
Wages and employee benefits	809,045	738,888
	$ 1,669,007	$ 1,603,044

JEWETT-CAMERON TRADING COMPANY LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(expressed in U.S. dollars)
(Unaudited - See Notice to Reader)

NINE MONTHS ENDED MAY 31, 1992

	1992	1991
OPERATING ACTIVITIES		
Net income for the period	$ 527,634	$ 459,421
Items not involving an outlay of cash		
Depreciation	17,809	10,861
	545,443	470,282
Cash provided by changes in non-cash working capital items, net	(1,207,483)	211,870
Cash from operations	(662,040)	682,152
FINANCING ACTIVITIES		
Shares issued	19,811	-
INVESTING ACTIVITIES		
Treasury shares acquired	-	(36,820)
Deposits	9,635	9,431
Purchase of fixed assets	(21,950)	(87,178)
Acquisition of minority interest	-	(23,311)
Reduction of receivable from affiliate	301,959	-
	289,644	(137,878)
(DECREASE) INCREASE DURING PERIOD	(352,585)	544,274
CASH, BEGINNING OF PERIOD	345,403	(447,753)
CASH, END OF PERIOD	$ (7,182)	$ 96,521

JEWETT-CAMERON TRADING COMPANY LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - See Notice to Reader)

MAY 31, 1992

1. BUSINESS COMBINATION

The Company was incorporated under the Company Act of British Columbia on July 8, 1987.

Pursuant to an agreement dated July 13, 1987, the Company entered into share exchange agreements with the shareholders of The Jewett-Cameron Lumber Corporation, a company incorporated under the laws of the State of Oregon, U.S.A., under which the Company exchanged 3,900,000 common shares for all of the issued and outstanding shares of The Jewett-Cameron Lumber Corporation.

2. PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Jewett-Cameron Lumber Corporation and Material Supply International Inc., both which are incorporated under the laws of Oregon, U.S.A. and Jewett-Cameron South Pacific Ltd., which is incorporated under the laws of Tonga.

3. RECEIVABLE FROM AFFILIATE

The receivable is due on demand from Pacific Reliant Industries Inc., a company controlled by a director of the Company. The note receivable is secured and interest is being calculated on the note at an annual rate of 13%.

4. BANK INDEBTEDNESS

	1992	1991
Cash	$ -	$ (96,521)
Cheques issued in excess of funds on deposit	7,182	-
Demand loans	2,155,572	2,820,548
	$ 2,162,754	$ 2,724,027

The demand loan is secured by an assignment of accounts receivable, inventory and fixed assets and by the personal guarantee of a shareholder. Interest is calculated at prime plus 2% per annum.

5. CAPITAL STOCK

Authorized

20,000,000 common shares, without par value

Issued	#	$
At August 31, 1991	5,020,000	$ 622,714
Issued for cash	30,000	19,811
	5,050,000	642,525
Shares held in treasury	(298,480)	(148,784)
At May 31, 1992	4,751,520	$ 493,741

Included in issued capital stock are 3,900,000 shares issued as consideration for the acquisition of The Jewett-Cameron Lumber Corporation.

6. CURRENCY

These financial statements are expressed in U.S. dollars as the Company's operations are based solely in the United States.

7. STOCK OPTIONS

As at May 31, 1992, stock options had been granted to two directors enabling them to acquire up to 290,000 shares at prices ranging from $0.75 CDN to $1.50 CDN per share to December 13, 1992.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Rn:2237

MAY 11 1992

FORM 10-Q

(Mark One)

[X] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 1992**

or

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

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Commission File Number: 0-19651

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MAGAININ PHARMACEUTICALS INC.
(Exact name of registrant as specified in its charter)

L3Q

Delaware
(State or other jurisdiction of incorporation of organization)

13-3445668
(I.R.S. Employer Identification No.)

5110 Campus Drive, Plymouth Meeting, Pennsylvania, 19462
(Address of principal executive offices and Zip Code)

(215) - 941 - 4020
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes [✓] No [ ]**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.002 Par Value - 7,054,790 Shares (May 8, 1992)

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MAGAININ PHARMACEUTICALS INC.

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Part I - Financial Information

Item 1. Financial Statements

Condensed Statements of Operations (unaudited) for the three and nine month periods ended March 31, 1991 and 1992, and for the period June 29, 1987 (inception) to March 31, 1992 1

Condensed Balance Sheets as of June 30, 1991 and March 31, 1992 (unaudited) 2

Condensed Statements of Cash Flows (unaudited) for the six month periods ended March 31, 1991 and 1992, and for the period June 29, 1987 (inception) to March 31, 1992 3

Notes to Financial Statements (unaudited) 5

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Part II - Other Information 9

Signatures

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MAGAININ PHARMACEUTICALS INC.

(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended		Nine Months Ended		June 29, 1987 (Inception) to
	March 31, 1991	March 31, 1992	March 31, 1991	March 31, 1992	March 31, 1992
Revenue:					
Research and development					
Collaborative contracts and grants	$ 112,500	$ 62,500	$ 175,000	$ 252,500	$ 625,000
Other income			1,040	750	58,403
Total revenue	$ 112,500	$ 62,500	$ 176,040	$ 253,250	$ 683,403
Costs and expenses:					
Research and development	926,033	1,856,421	2,628,696	3,884,410	10,697,953
General and administrative	393,058	425,503	1,034,687	1,233,612	5,587,211
. . . .	1,319,091	2,281,924	3,663,383	5,118,022	16,285,164
(Loss) from operations	(1,206,591)	(2,219,424)	(3,487,343)	(4,864,772)	(15,601,761)
Interest income	9,289	161,981	130,241	225,554	874,869
Interest expense	(25,175)	(20,920)	(65,633)	(319,334)	(434,339)
Net (loss)	$ (1,222,477)	$ (2,078,363)	$ (3,422,735)	$ (4,958,552)	$(15,161,231)
Net (loss) per share	$ (.28)	$ (.30)	$ (.79)	$ (.86)	
Weighted average shares outstanding	4,380,855	7,037,263	4,345,868	5,737,163	

MAGAININ PHARMACEUTICALS INC.

(A development stage company)

CONDENSED BALANCE SHEETS

	June 30, 1991	March 31, 1992 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$2,229,070	$ 920,380
Short-term investments	59,444	14,063,849
Prepaid expenses and other current assets	139,808	239,363
Total current assets	2,428,322	15,223,592
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization)	2,287,303	2,048,897
Organization costs (less accumulated amortization)	34,345	17,173
Patent costs	275,136	464,839
Other assets	81,250	57,312
Total	$ 5,106,356	$ 17,811,813
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 338,766	$ 401,532
Equipment lease obligations - current	236,907	303,053
Total current liabilities	575,673	704,585
Equipment lease obligation - long term	532,404	409,324
Other	109,176	155,151
Total liabilities	1,217,253	1,269,060
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock – $.001 par value; shares authorized – 9,211,031; shares issued and outstanding in Series at June 30, 1991 – 8,968,396	8,969	
Common stock – $.002 par value; shares authorized – 15,000,000; shares issued at June 30, 1991 – 462,222; shares issued and outstanding at March 31, 1992 – 7,054,790	924	14,110
Additional paid-in capital	14,081,998	31,689,874
(Deficit) accumulated during the development stage	(10,202,679)	(15,161,231)
Total	3,889,212	16,542,753
Less treasury stock, at cost (54,623 common shares)	(109)	
Total stockholders' equity	3,889,103	16,542,753
Total	$ 5,106,356	$ 17,811,813

MAGAININ PHARMACEUTICALS INC.

(A development stage company)

CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended March 31, 1991	Nine Months Ended March 31, 1992	June 23, 1987 (Inception) To March 31, 1992
Cash flows from operating activities:			
Net (loss)	$(3,422,736)	$(4,958,552)	$(15,161,231)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:			
Common stock issued as consideration for compensation	1,825	5,660	8,267
Fair value of warrants issued		250,000	291,052
Depreciation and amortization	306,674	398,383	1,110,633
Deferred rent expense	81,882	45,975	156,151
Organization costs			(114,483)
Changes in operating assets and liabilities:			
(Increase) decrease in other assets	42,447	(75,617)	(296,675)
Increase (decrease) in accounts payable and accrued expenses	(21,748)	62,766	401,532
Net cash (used in) operating activities	(3,011,655)	(4,271,385)	(13,605,754)
Cash flows from investing activities:			
Short-term investments	746,781	(14,004,405)	(14,063,849)
Patent costs	(139,162)	(189,703)	(464,839)
Capital expenditures	(84,560)	—	(1,919,157)
Net cash provided by (used in) investing activities	523,059	(14,194,108)	(16,447,845)
Cash flows from financing activities:			
(Repayment) of notes payable	(17,425)		
Payments on capitalized equipment lease	(134,468)	(199,739)	(430,686)
Proceeds from sale of preferred and common stock and exercise of warrants	12,584	17,356,542	31,404,774
Treasury stock purchased	—	—	(109)
Net cash provided by (used in) financing activities	(139,309)	17,156,803	30,973,979
Net increase (decrease) in cash and cash equivalents	(2,627,905)	(1,308,690)	920,380
Cash and cash equivalents at beginning of period	3,568,931	2,229,070	—
Cash and cash equivalents at end of period	$ 941,026	$ 920,380	$ 920,380
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	$ 65,633	$ 89,334	184,339
Supplemental disclosure of noncash investing and financing activities			
Laboratory equipment acquired under a capital lease agreement	419,415	142,805	1,143,063

MAGAININ PHARMACEUTICALS INC.

(a development stage company)

NOTES TO CONDENSED FINANCIAL STATEMENTS
(unaudited)

A) Basis of Presentation

The accompanying condensed financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles, but in the opinion of management, contain all adjustments (which consist of only normal recurring adjustments) necessary for a fair presentation of such financial information. Results of operations for interim periods are not necessarily indicative of those to be achieved for full fiscal years. The condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 1991 included in the Company's Registration Statement on Form S-1 (File No. 33-43579).

B) Initial Public Offering

During December 1991, the Company issued 2,000,000 shares of common stock at $9.00 per share in an initial public offering. Net proceeds to the Company from the offering were $16,199,000 after deducting underwriting discounts of $1,260,000 and other expenses of $541,000. All the outstanding shares of convertible preferred stock of the Company (9,081,031 shares including 112,636 shares of Series F Preferred stock issued in October 1991) were automatically converted into 4,540,516 shares of common stock.

In January 1992, the Underwriters of the initial public offering exercised its over-allotment option to purchase an additional 104,600 shares of common stock at $9.00 per share. Net proceeds to the Company were $875,500 after deducting underwriting discounts of $65,900.

C) Marketable Securities

Marketable securities consist principally of U.S. Government securities and are stated at the lower of cost or market.

NOTES TO CONDENSED FINANCIAL STATEMENTS (continued)
(unaudited)

D) Line of Credit

The Company entered into a Credit Agreement in October, 1991 ("Credit Agreement") under which certain holders of preferred stock of the Company agreed to loan the Company up to $3,000,000 for working capital. On December 3, 1991, the Company borrowed $500,000 under the Credit Agreement. Pursuant to the terms of the agreement, the loan was repaid upon the completion of the initial public offering. The Company granted to the lenders under the Credit Agreement, warrants expiring in 2001, to purchase an aggregate of 250,000 shares of common stock at $8 per share. In connection therewith, the Company has recorded a non-cash charge of $2[illegible]0,000.

E) Net (loss) per share

The computation of weighted average shares used in computing net loss per common share includes all of the outstanding shares of convertible preferred stock for each of the interim periods as though they had been converted into common stock on their respective original issue dates. Outstanding options and warrants have not been considered since their effect would be antidilutive.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Since commencement of operations in 1988, the Company has been a development stage company engaged primarily in research and development. The Company's research and development focus has been on the commercialization of certain proprietary host-defense technologies. The Company has not received any product revenue and has received insignificant amounts of revenue from grants. The Company has incurred net losses in each year since its inception and expects to incur additional losses for the next several years. At March 31, 1992, the Company's accumulated deficit was approximately $15,161,000.

Results of Operations

To date, the Company has received no revenue from product sales. Revenue from research and development activities, funded primarily under the Company's research and development agreement with Colgate-Palmolive Corporation ("Colgate") and pursuant to Small Business Innovative Research grants (SBIR), were approximately $112,500 and $62,500 for the three months ended March 31, 1991 and 1992, respectively and $175,000 and $252,500 for the nine months ended March 31, 1991 and 1992, respectively. The increase during the nine months ending March 31, 1992 reflects the receipt of increased funding from Colgate and the commencement of a two-year Phase Two $500,000 SBIR grant to develop treatment for certain gastrointestinal ailments. The funding from Colgate under its research and development agreement is subject to annual review and renewal by Colgate. The Company anticipates that, with the exception of funding from research and development activities, its revenues from operations will be limited for the foreseeable future.

The Company incurred research and development expenses of approximately $926,000 and $1,856,000 for the three months ended March 31, 1991 and 1992, respectively, and $2,629,000 and $3,884,000 for the nine months ended March 31, 1991 and 1992, respectively, primarily consisting of salaries, expenditures for sponsored research and laboratory supplies. The increase for the three and nine month periods ended March 31, 1992 from the comparable periods in 1991 are attributable to the Company's increased research and development activities, including pre-clinical studies of the Company's initial topical anti-infective product candidate, MSI-78, and additional research expenditures in the areas of cancer, oral health care and wound healing. Research and development expenses are expected to continue to increase during 1992 as the Company expands its activities following the recent completion of its initial public offering, including the commencement of human clinical studies of the Company's initial topical anti-infective product candidate anticipated to begin during calendar 1992.

General and administrative expense, which consists of compensation expense for management, professional fees and other expenses, was $393,000 and $426,000 for the three months ended March 31, 1991 and 1992, respectively, and $1,035,000 and $1,234,000 for the nine months ended March 31, 1991 and 1992, respectively. The increase for the three and nine month periods ended March 31, 1992 from the comparable periods in 1991, is due primarily to increases in salary and related expenses and professional fees as a result of the increased level of Company activities. The expenses are expected to continue to increase during the remainder of fiscal 1992 as compared to the prior year as the Company further expands its activities.

The Company earned interest income of approximately $9,000 and $162,000 for the three months ended March 31, 1991 and 1992, respectively and approximately $130,000 and $226,000 for the nine months ended March 31, 1991 and 1992. The interest income resulted primarily from the investment, prior to expenditure for operations, of the proceeds of sales of the Company's securities. The variations of interest income are primarily due to fluctuations in cash balances and prevailing interest rates. Interest income is expected to increase during the remainder of fiscal 1992 as compared to the prior year as the Company invests, prior to expenditure for operations, the proceeds from its initial public offering of common stock. (See "Liquidity and Capital Resources.")

Interest expense was approximately $25,000 and $21,000 for the three months ended March 31, 1991 and 1992, respectively, and approximately $66,000 and $319,000 for the nine months ended March 31, 1991 and 1992, respectively. Interest expense for the periods ended March 31, 1991 consisted primarily of the interest component of capital leases for equipment. Included in interest expense for the nine months ended March 31, 1992 is a non cash charge of $250,000 which represents the ascribed value of warrants given to the lenders in connection with a Line of Credit Agreement. (The Credit Agreement expired upon the completion of the Company's initial public offering.)

The Company's net loss increased from approximately $1,222,000 during the three months ended March 31, 1991, to $2,078,000 for the three months ended March 31, 1992. The Company's net loss increased from approximately $3,423,000 during the nine months ended March 31, 1991 to $4,959,000 during the comparable 1992 period. These increases are primarily the results of increasing research and development expenditures relating to the expansion by the Company of its research and development efforts. The Company will be required to conduct significant research, development and testing activities which, together with projected general and administrative expenses, are expected to result in continued losses for the foreseeable future, particularly due to the extended time period before the Company expects to commercialize any products.

Liquidity and Capital Resources

The Company completed its initial public offering of Common Stock in January 1992, generating net proceeds of $17,075,000. In addition to the cash from the public offering, the Company has financed its operations in fiscal 1992 through contract and grant revenues, interest income and lease financing. The Company also received in October 1991 approximately $282,000 from the sale of Series F Preferred Shares, which were subsequently converted to common stock. As of March 31, 1992, cash and cash equivalents and short-term investments were $14,984,000.

The Company's long term capital expenditure requirements will depend upon numerous factors, including the progress of the Company's research and development programs, the time required to obtain regulatory approvals, the ability of the Company to enter into additional collaborative arrangements, the demand for products based on the Company's technology, (if and when such products are approved) and possible acquisitions of products, technologies and companies. The Company will require significant additional funds to commercialize any potential products, and it intends to seek such funds through collaborative arrangements with third parties and future offerings of securities.

PART II

OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Magainin Pharmaceuticals Inc.
(Registrant)

Date May 3 , 1992

Jay Moorin
President & Chief Executive Officer
(And Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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(Mark one):

X Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarter ended March 31, 1992
or

E92-2237

___ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ____________ to ____________

PROCESSED BY
MAY 13 1992

Commission File number 0-18674

MARCAM CORPORATION
(Exact name of registrant as specified in its charte

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Q-Data Corp. - St. Petersburg, FL

Massachusetts (State or other jurisdiction of incorporation or organization)	04-2711580 (I.R.S. Employer Identification No.)

+3P

95 Wells Avenue, Newton, Massachusetts 02159
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (617) 965-0220

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

The number of shares outstanding of the registrant's Common Stock, $.01 Par Value, as of April 30, 1992 was 8,264,560 shares.

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PART I: FINANCIAL INFORMATION

ITEM 1: Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(In Thousands)

ASSETS	March 31, 1992 (Unaudited)	September 30, 1991
Current assets:		
Cash and equivalents	$ 6,607	$ 3,226
Short-term investments	2,033	5,127
Accounts receivable	19,343	16,748
Prepaid expenses and other current assets	1,990	877
Due from affiliates	4,487	3,839
Total current assets	34,460	29,817
Property and equipment:		
Furniture and fixtures	1,850	1,904
Computer equipment	5,157	4,235
Leasehold improvements	642	448
	7,649	6,587
Less accumulated depreciation and amortization	3,566	3,108
Net property and equipment	4,083	3,479
Other assets:		
Software production costs, net	7,156	5,037
Receivable from related party	25	50
Purchased software, net	1,299	1,084
Other assets	410	387
Total other assets	8,890	6,558
Total assets	$47,433	$39,854

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(*In Thousands*)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1992 (Unaudited)	September 30, 1991
Current liabilities:		
Accounts payable	$ 2,139	$ 2,307
Accrued expenses and other current liabilities	12,360	8,618
Current maturities of capital lease obligations	242	151
Current portion of long-term debt	70	103
Current deferred income taxes	446	309
Total current liabilities	15,257	11,488
Capital lease obligations, less current portion	355	247
Long-term debt, less current portion	-	20
Deferred income taxes	1,002	867
Total liabilities	16,614	12,622
Stockholders' equity:		
Preferred stock, $1.00 per value; authorized 1,000 shares, none issued	-	-
Common stock, $.01 per value; authorized 15,000 shares; issued 8,265 shares at March 31, 1992 and 8,199 shares at September 30, 1991	83	82
Additional paid-in capital	20,751	20,174
Retained earnings	10,120	6,940
Receivable from sale of stock	(58)	(58)
Cumulative translation adjustment	(77)	94
Total stockholders' equity	30,819	27,232
Total liabilities and stockholders' equity	$47,433	$39,854

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Revenues:				
Licenses	$10,243	$ 7,329	$20,675	$15,955
Services	7,583	5,270	13,710	8,968
Hardware	-	341	-	1,392
Total revenues	17,826	12,940	34,385	26,315
Operating expenses:				
Cost of revenues	2,737	2,402	5,201	5,234
Selling and marketing	8,385	6,438	16,933	12,873
Research and product development	3,123	1,975	5,903	3,841
General and administrative	831	1,218	1,606	1,986
Total operating expenses	15,076	12,033	29,643	23,934
Operating income	2,750	907	4,742	2,381
Interest income	88	173	225	394
Income before income taxes	2,838	1,080	4,967	2,775
Income tax expense	1,075	303	1,788	757
Net income	$ 1,763	$ 777	$ 3,179	$ 2,018
Weighted average number of shares outstanding	8,476	8,379	8,415	8,363
Net income per share	$ 0.21	$ 0.09	$ 0.38	$ 0.24

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Cash flows from operating activities:				
Net income	$1,763	$ 777	$3,179	$2,018
Adjustments to reconcile net income to net cash and equivalents provided by operating activities:				
Depreciation and amortization	477	482	1,066	962
Deferred income taxes	278	(306)	278	(306)
Changes in assets and liabilities:				
Accounts receivable	(509)	1,544	(1,769)	(2,096)
Prepaid expenses, due from affiliates and other current assets	(703)	(1,077)	(2,680)	(1,670)
Accounts payable	(583)	(297)	(168)	(410)
Accrued expenses and other current liabilities	4,242	1,110	3,738	3,616
Net cash and equivalents provided by operating activities	4,965	2,233	3,644	2,114
Cash flows from investing activities:				
Purchases of property and equipment	(227)	(313)	(1,062)	(1,113)
Software production costs	(1,230)	(597)	(2,525)	(1,291)
Purchased software	(257)	(250)	(417)	(250)
Short-term investments	1,043	1,018	3,094	1,018
Other assets	(25)	(27)	(22)	(65)
Net cash and equivalents used for investing activities	(696)	(169)	(932)	(1,701)
Cash flows from financing activities:				
Principal payments on debt and capital lease obligations	(776)	(877)	(1,909)	(895)
Proceeds from debt	715	-	1,815	692
Additional capital lease obligations	-	-	240	-
Proceeds from sale of common stock	434	179	579	179
Other	6	26	19	82
Net cash and equivalents provided by (used for) financing activities	379	(672)	744	58

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Effect of exchange rate changes on cash and equivalents	(186)	(532)	(75)	(449)
Net increase in cash and equivalents	4,462	860	3,381	22
Cash and equivalents, beginning of the period	2,145	10,122	3,226	10,960
Cash and equivalents, end of the period	$6,607	$10,982	$6,607	$10,982
Supplemental information:				
Cash paid during the period, interest	$ 32	$ 6	$ 36	$ 17
Cash paid during the period, income taxes	364	237	1,421	1,541

See accompanying Notes to Consolidated Financial Statements

MARCAM CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, these consolidated financial statements contain all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the consolidated financial position of Marcam Corporation and subsidiaries as of March 31, 1992 and the results of operations and cash flows for the three months and six months ended March 31, 1992 and 1991.

The results of operations for the three months and six months ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the full year.

(2) ShawWare Acquisition

On April 9, 1991, the Company completed its merger with ShawWare Incorporated (ShawWare), a supplier of maintenance and materials management applications software. The Company's financial statements have been restated to give effect to the merger of ShawWare and the Company, which has been accounted for as a pooling of interests.

PART I.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's revenues are derived from licensing its PRISM products and providing product support and related services. Product support is provided pursuant to agreements which are generally renewed annually. Related services consist of (i) assisting customer implementation of PRISM software, (ii) providing programming and system integration services for PRISM users which usually involve interfacing PRISM modules to the customer's other applications or the creation of new applications, and (iii) providing educational materials and instruction in the use of PRISM software.

Results of Operations

Total revenues increased $4,886,000 (37.8%) and $8,070,000 (30.7%) for the three- and six-month periods ended March 31, 1992, respectively, as compared to the same periods last year. The license fee revenue increased 39.8% and 29.6% for the three- and six-month periods ended March 31, 1992, respectively, primarily due to an expanded product line and increased volume to new and existing customers for additional sites and modules. Service revenue increased 43.9% and 52.9% for the three- and six-month periods ended March 31, 1992, respectively, primarily due to the growth in PRISM installations and the resulting increase in consulting and support services. The Company believes that service revenue will continue to grow generally in proportion with license fee revenue growth.

Hardware sales were discontinued in the fourth quarter of 1991 because of low margins.

Cost of revenues includes amortization of capitalized software and costs of implementation consulting, product support services, and hardware sold. These expenses represented 15.4% and 15.1% of total revenue for the three- and six-month periods ended March 31, 1992, respectively, as compared to 18.6% and 19.9% for the same periods in 1991. The decrease in cost of revenues as a percentage of total revenues in the second quarter and first six months of 1992 from the corresponding periods in 1991 is primarily due to the absence of hardware sales in 1992.

Selling and marketing expenses increased by $1,947,000 (30.2%) and $4,060,000 (31.5%) for the three- and six-month periods ended March 31, 1992, respectively, as compared to the same periods in 1991. These increases primarily represent the continued expansion of the Company's worldwide sales organization which included the addition of new employees and royalties payable on new products.

Research and product development expenses increased $1,148,000 (58.1%) and $2,062,000 (53.7%) for the three- and six-month periods ended March 31, 1992, respectively, when compared to the same periods in 1991. The increases were primarily the result of the addition of staff to develop new PRISM modules and enhancements.

General and administrative expenses for the three- and six-month periods ended March 31, 1992 decreased by approximately $380,000 when compared to the corresponding periods in 1991. The decrease in general and administrative expenses is primarily due to the restructuring of administrative functions and the discontinuance of a profit sharing plan after the acquisition of ShawWare.

The decrease in net interest income for the three- and six-month periods ended March 31, 1992 as compared to the same periods in 1991 was primarily due to lower cash balances being invested as well as lower interest rates on these balances.

The increase in income tax expense of $772,000 for the three-month period ended March 31, 1992 from the corresponding quarter in 1991 reflects an increase in the effective tax rate to 37.9% from 28.1%. The effective year-to-date tax rate rose to 36.0% from 27.3% when compared to the same period last year. The increase in the effective tax rate was due to higher income before taxes in the current periods as well as the utilization of both net operating loss carryforward allowances and federal tax credit carryforwards in 1991. No carryforwards were available for 1992.

Liquidity and Capital Resources

As of March 31, 1992, the Company had no material commitments for capital expenditures, had debt of $70,000 and obligations under capital leases of approximately $597,000.

The Company ended the second quarter of 1992 with $19,203,000 in working capital, which included $8,640,000 in cash and equivalents and short-term investments. As of March 31, 1992, the Company also had available a $2,000,000 unsecured line of credit which enables the Company to borrow at an interest rate at the higher of the bank's base rate plus 0.5% or the federal funds' rate plus 1%. As of March 31, 1992, the Company had no outstanding borrowings under the line of credit.

The Company anticipates that its available cash and future cash flow from operations will be sufficient to satisfy its short-term and long-term cash requirements.

Other Matters

To date, management believes inflation has not had a material impact on the Company's operations.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11 Statement re Computation of Per Share Earnings

(b) Reports on Form 8-K

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARCAM CORPORATION

5-17-92
Date

David C. Cairns,
Chief Financial Officer
(Principal financial and
accounting officer)

EXHIBIT INDEX

Exhibit Number	Description	Page Number
11	Statement re Computation of Per Share Earnings	13

EXHIBIT 11

MARCAM CORPORATION

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
NET INCOME	$1,763	$ 777	$3,179	$2,018
PRIMARY EARNINGS PER SHARE				
Weighted average common shares outstanding (1)	8,240	8,150	8,220	8,140
Dilutive stock options	236	229	195	223
	8,476	8,379	8,415	8,363
Net income per share	$ 0.21	$ 0.09	$ 0.38	$ 0.24
FULLY DILUTED EARNINGS PER SHARE				
Weighted average common shares outstanding (1)	8,240	8,150	8,220	8,140
Dilutive stock options	236	229	205	223
	8,476	8,379	8,425	8.363
Net income per share	$ 0.21	$ 0.09	$ 0.38	$ 0.24

The calculation of income per share is based on the weighted average shares outstanding in the three months and six months ended March 31, 1992 and 1991. Dilutive stock options assumed converted are based on the treasury stock method using average market price in calculating primary earnings per share, and the higher of the end of the period or average market price in computing fully diluted earnings per share.

(1) Pursuant to a Voting Rights Agreement dated April 9, 1991, the Company has issued one share of Series A Preferred Stock enabling the holders of Class A Special Shares of Marcam Canada Holding Corporation to exercise voting rights in Marcam Corporation. For financial reporting purposes, the Company is treating the 290,400 Class A Special Shares of Marcam Canada Holding Corporation as having been exchanged for an equivalent number of shares of the Company's common stock pursuant to a Stock Exchange Agreement dated April 9, 1991 and the one share of the Company's preferred stock as having been redeemed pursuant to its terms.

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission file number 33-3284-NY

MEDITECH MANAGEMENT, INC.
(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	59-2722254 (I.R.S. Employer) Identification No.)
Advantage Place, Suite 230 308 North Peters Road Knoxville, Tennessee (Address of principal executive offices)	37922 (Zip Code)

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(615) 690-1371
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date:

COMMON, $.01 par value per share: 5,017,381 outstanding, as of May 11, 1992

PART I - FINANCIAL INFORMATION

MEDITECH MANAGEMENT, INC AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

Index to Financial Information
Period Ended March 31, 1992

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Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	10

MEDITECH MANAGEMENT, INC AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS
ASSETS

	March 31, 1992	December 31, 1991
	(UNAUDITED)	
CURRENT ASSETS:		
Cash	$ 2,197	$ 40,246
Employee advance	5,051	4,000
	7,248	44,246
FIXED ASSETS:		
Furniture & Fixtures	49,297	49,297
Automobiles	35,640	35,640
Medical Equipment	37,802	37,802
	122,739	122,739
Less: Accumulated depreciation	79,726	73,622
	43,013	49,117
LONG TERM ASSETS:		
Organization Cost	1,808	2,583
Deposits	27,600	27,600
Total LONG TERM ASSETS	29,408	30,183
TOTAL ASSETS	$ 79,669	$ 123,546

The accompanying notes are an integral part of these financial statements.

MEDITECH MANAGEMENT, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS
LIABILITIES AND CAPITAL DEFICIT

	March 31, 1992	December 31, 1991
	(UNAUDITED)	
CURRENT LIABILITIES:		
Accounts Payable	$ 105,301	$ 117,337
Accrued Expenses	199,834	182,791
Current Portion - Notes Payable	333,996	357,656
Notes Payable to stockholders	0	5,000
Current Portion - Lease	2162	2,786
Redeemable preferred stock	260,500	260,500
Total Current Liabilities	901,793	926,070
Capital Lease Obligation	0	0
Notes Payable	12,700	12,700
Stockholder Loans	107,426	0
Total Liabilities	1,021,919	938,770
CAPITAL DEFICIT:		
Common Stock, $.01 par value; 16,000,000 shares authorized; 5,017,381 and 5,117,381 shares issued and outstanding	50,174	51,174
Additional Paid-in Capital	1,396,849	1,395,849
Accumulated Deficit	(2,389,273)	(2,262,247)
Total Capital Deficit	(942,250)	(815,224)
Total Liabilities and Capital Deficit	$ 79,669	$ 123,546

The accompanying notes are an integral part of these financial statements.

MEDITECH MANAGEMENT, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF LOSS
(UNAUDITED)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Revenue:		
Management Fees	$ -0-	$ -0-
Total Revenue	-0-	-0-
OPERATING EXPENSES:		
General and Administrative	111,177	174,064
Total Operating Expenses	111,177	174,064
Loss from Operations	(111,177)	(174,064)
OTHER (INCOME) EXPENSES:		
Interest Expense	15,849	20,779
Total Other (Income) Expenses	15,849	20,779
Net Loss	$ (127,026)	(194,843)
NET LOSS PER SHARE	($0.025)	($0.040)
WEIGHTED AVERAGE SHARES OUTSTANDING (adjusted for stock split)	5,078,492	4,639,815

The accompanying notes are an integral part of these financial statements

MEDITECH MANAGEMENT, INC. AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED March 31, 1992	THREE MONTHS ENDED March 31, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	(127,026)	(194,843)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	6,879	20,640
Increase/(decrease) in accrued expenses and Accounts Payable	5,007	8,822
Net cash used by operating activities	(115,140)	(165,381)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Loan Receivable	(1,051)	-0-
Net cash used by investing activities	(1,051)	-0-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-0-	100,000
Increase/(decrease) in short-term notes payable	(24,284)	21,970
Proceeds from stockholder loans	102,426	19,620
Proceeds from due to stockholder/officer	-0-	6,700
Net cash provided by financing activities	78,142	148,290
NET INCREASE IN CASH	(38,049)	(17,091)
CASH AT BEGINNING OF PERIOD	40,246	41,325
CASH AT END OF PERIOD	2,197	24,234

The accompanying notes are an integral part of these financial statements

MEDITECH MANAGEMENT, INC.AND SUBSIDIARY
(A DEVELOPMENT STAGE COMPANY)

Notes to Consolidated Financial Statements

Note 1 - In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of results for the interim period. Additionally, it should be noted that the accompanying condensed financial statements do not purport to be complete disclosures in conformity with generally accepted accounting principles.

The results of operations for the three months ended March 31, 1992 are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 1992.

These condensed statements should be read in conjunction with the Company's financial statements for the yearended December 31, 1991, in which the Company restated prior years financial statements and changed certain of its accounting methods and its independent auditors.

At December 31, 1991, the Company changed certain of its methods of accounting and restated its financial statements of prior year(s). In connection therewith, the Company also changed its independent auditors from Jeff R. Pearlman, CPA, P.C. to BDO Seidman, a national auditing firm, and as is more detailed in the Company's Form 10-K for the year ended December 31, 1991 and Form 8-K dated March 18, 1992, previously filed.

Note 2 - In December 1989, Oak Tree Construction Computers, Inc. ("Oak Tree") commenced an action in Superior Court for the State of California against Vista and its former Chairman and Chief Executive Officer in connection with a $200,000 loan which had been made to Vista by Oak Tree in 1989. Subsequently, in July 1990, the Company and its former Chairman and Chief Executive Officer entered into a settlement with Oak Tree and agreed to pay to Oak Tree the sum of $265,000 comprising the original sum borrowed, interest and legal fees of Oak Tree. Thereafter, in May 1991, the Company effected a revised settlement with Oak Tree whereby the Company agreed to issue to Oak Tree 130,500 shares (the Oak Tree Preferred Shares) of the Company's Preferred Stock in consideration for which Oak Tree agreed to waive any of its rights against the Company pursuant to the settlement of July 1990. The Oak Tree Preferred Shares are convertible at any time into shares of Common Stock at a rate of 1.5 shares of Common Stock for every one share of Preferred Stock. In addition, provided the Oak Tree Preferred Shares are not converted into shares of Common Stock, the Company is required to redeem such shares (the "Mandatory Redemption") at a price of $2.00 per share upon the earlier of April 1, 1992 or the completion of equity or debt financing, other than received from affiliates of the Company or pursuant to bank loans or equipment leases, of at least $3,000,000. (If less than $3,000,000 is raised, a proportionate number of Oak Tree Preferred Shares must be redeemed.) In addition, the Oak Tree Preferred Shares must be redeemed if the Company's ratio of current assets to current liabilities in any fiscal quarter is at least two to one and net income for such fiscal quarter is at least $300,000. The revised settlement agreement with Oak Tree further provides that in the event of any default by the Company in connection with the redemption described above, then the amount owing pursuant to the Mandatory Redemption shall accrue interest from April 1, 1992 at the rate of one-half percentage points above the prime rate. As of the date hereof, none of the Oak Tree Preferred Shares has been converted into shares of Common Stock, nor has the Company redeemed any of such shares pursuant to the Mandatory Redemption.

Note 3 - In May 1991, the Company amended its Certificate of Incorporation to provide for an increase in the number of authorized shares of common stock from 11,000,000 shares of a par value of $.01 each to 16,000,000 shares of a par value of $.01 each, and for an authorization of a new class consisting of 3,000,000 shares of preferred stock of a par value of $.01 each.

Note 4 - In January 1992, the Company entered into an agreement (the "Meditech/CTI Agreement") with CTI, Inc., a Tennessee corporation ("CTI") to provide for the purchase of PET scanners and related equipment, as well as providing for an investment by CTI in Common Stock and warrants of the Company. As provided therein, CTI, through its joint venture partner, Siemens Corporation (a major manufacturer of medical equipment) ("Siemens") shall provide the Company the ECAT EXACT at a purchase price of $2,450,000 for the ECAT EXACT 47 and $1,850,000 for the ECAT EXACT31. CTI has also agreed to purchase Common Stock of the Company at a price of $2.00 per share. The total purchase price for all shares acquired shall be in an amount equal to 10% of the cost of each PET scanner for the first ten systems purchased. In addition, CTI shall receive warrants to purchase one additional share for each share of Common Stock acquired thereunder, with an exercise price of $0.90 per share for a period of four years, at which time, the warrants shall expire. CTI's obligations and rights to purchase shares and receive warrants shall be effective only for the purchase of ten PET scanners, and each purchase of shares by CTI and corresponding receipt of warrants is dependent upon each individual purchase by the Company of the ten systems contemplated thereunder. The Meditech/CTI Agreement further provides that the purchase of Common Stock by CTI is conditioned upon the Company having adequate funds to be used exclusively for the future operating capital needs of the PET centers. Provided that all the terms and conditions of the Meditech/CTI Agreement have been fulfilled by each of the parties, the Company has agreed to purchase all PET scanners and/or radioisotope delivery systems exclusively from CTI/Siemens for a period of five years as well as F-18 isotope and/or compounds, which are expected to be provided by CTI/Siemens's own cyclotron laboratory at each Company site or transported thereto by CTI/Siemens. Additionally, CTI and/or Siemens shall have the right of first refusal to purchase all or any portion of any new shares of Common Stock proposed to be sold by the Company in the future (except pursuant to any employee stock option or purchase plan or any shares offered to any employee pursuant to any employment agreement). The Company has also agreed not to sell any shares of its Common Stock at a price less than $1.85 per share until January 1997 without obtaining the written approval from CTI. As of the date hereof, the Company has not purchased any PET scanners pursuant to the Meditech/CTI Agreement nor has CTI acquired any shares and warrants of the Company as provided thereunder.

Note 5 - Supplemental Disclosures- Statements of Cash Flows

No cash was disbursed for income taxes in 1992 or in 1991.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At March 31, 1992, the Company had a working capital deficit of ($894,545) compared to a working capital deficit of ($881,824) at December 31, 1991. The ratio of current assets to current liabilities was approximately 1 to 124.42 at March 31, 1992 compared to 1 to 20.93 at December 31, 1991. In addition, at March 31, 1992, the Company had a capital deficit of ($942,250) compared to a capital deficit of ($815,224) at December 31, 1991.

The Company's primary source of capital during the development stage has been from periodic loans and advances provided by its principal shareholders, bank loans and private issuance of securities in 1990, 1991 and 1992.

Management recognizes that the Company has an adverse financial position and that substantial additional financing is required for the Company to fully implement its plans. The Company's business objectives currently contemplate obtaining additional financing from financial institutions and institutional leasing companies. This could result in the Company facing higher cost conditions. Moreover, the continuation of the Company's business after such proceeds are expended, will depend upon the Company's ability to generate sufficient revenues from operations, and its ability to raise additional funds. There is no assurance the Company will be able to obtain additional funds when it is needed, or that such funding, if available, will be obtainable on terms acceptable to the Company.

In conjunction with and as an alternative to obtaining additional funding through the proposed methods as described above, the Company has had and is presently engaged in negotiations with additional sources of capital to provide operational funds. Moreover, in January 1992, the Company did reach an Agreement with CTI, Inc. which calls for purchases of the Company's Common Stock and defines equipment purchase and supply terms with CTI and its joint venture partner, Siemens Corporation, which is described in Notes to Financial Statements hereto.

If the Company does not realize net proceeds as described above or the Company cannot raise additional funds, it may have to curtail certain of its business plans.

Results of Operations

The Company is still in the development stage and has been primarily engaged since inception in the research and development of clinical methodologies, as well as operational structures for the clinical environment, for PET. In connection therewith, the Company has also devoted substantial efforts to financial planning, market research and site development, negotiation of joint venture and leasing arrangements for equipment acquisition and shared services arrangements for project site development, acquisition of operating assets, recruitment and training of personnel, and establishing sources of supply for the diagnostic imaging centers.

To date, the Company has achieved no operating revenues from any source due primarily to this long period of research and development. The results of operations are not necessarily indicative of the balance of operations that may be expected for the full fiscal year ending December 31, 1992.

Total operating expenses for the three months ended March 31, 1992 decreased to $111,177 from $174,064 for the three months ended March 31, 1991. This decrease in operating expenses was primarily due to the management's efforts to reduce general and administrative expenses during the three months ended March 31, 1992 and repayment of certain institutional debt.

Interest expense was $15,849 during the three months ended March 31, 1992 compared to $20,779 expense for the three months ended March 31, 1991. This was also primarily due to repayment of certain institutional debt.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. There are no exhibits applicable to this Form 10-Q.

(b) Reports on Form 8-K. Listed below are Current Reports on Form 8-K filed by the Registrant during the fiscal quarter ended March 31, 1992:

ITEMS REPORTED	FINANCIAL STATEMENTS FILED	DATE OF REPORT
Management's intention to restate prior audited financial statements	None	January 31, 1992
Change in Registrant's certifying accountant	None	March 18, 1992

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDITECH MANAGEMENT, INC.

By: Jack L Key, MD
Jack L. Key, President

By: Jack L Key, MD
Jack L. Key,
Principal Financial
Officer

Dated: May 11, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934

Q92-2237

For the quarter ended March 31, 1992

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the period from ________ to ________

BEST COPY AVAILABLE

Commission file number 0 - 13789

Nastech Pharmaceutical Company, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

11-2658569
(I.R.S. Employer Identification No.)

38

129 Oser Ave. Hauppauge, New York
(Address of principal executive offices)

11788
(Zip Code)

PROCESSED BY
MAY 18 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

(516) 273-0101
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

DATE	CLASS	SHARES OUTSTANDING
03/31/92	Common stock - $.002 par value	3,684,991

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
March 31, 1992

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEET

ASSETS	MARCH 31, 1992 (UNAUDITED)	JUNE 30, 1991 (*)
CURRENT ASSETS:		
Cash	$439,957	$3,358
Royalties and other receivables	$28,663	$533,865
Accounts receivable	---	$9,728
Inventories	---	$5,000
Prepaid expenses and sundry	$751	$13,815
	$469,371	$565,766
PROPERTY AND EQUIPMENT	$243,407	$243,407
Less: Accumulated depreciation and amortization	$155,574	$138,855
	$87,833	$104,552
OTHER ASSETS:		
Security deposits	$5,613	$5,613
	$562,817	$675,931

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	MARCH 31, 1992 (UNAUDITED)	JUNE 30, 1991 (*)
CURRENT LIABILITIES:		
Accounts payable	$424,840	$501,221
Accrued interest payable	$208,429	$186,447
Accrued expenses and sundry liabilities	$262,359	$207,129
Note payable	$2,461	$20,607
Current maturities of long-term debt	$725,752	$606,736
	$1,623,841	$1,522,140
LONG-TERM DEBT - NET OF CURRENT MATURITIES	$959	$125,273
DEFERRED INCOME TAXES PAYABLE	$80,000	$80,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock - par value $.002 per share, aurhorized 5,000,000 shares, issued and outstanding 3,684,991 shares at March 31, 1992 and 2,802,638 at June 30, 1991, respectively	$7,370	$5,605
Additional paid-in capital	$5,017,979	$4,869,744
Deficit accumulated during the development stage	($6,167,332)	($5,926,831)
	($1,141,983)	($1,051,482)
	$562,817	$675,931

See accompanying notes to financial statements.

*The Balance Sheet as of June 30, 1991 has been summarized from the Company's audited Balance Sheet as of that date.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
STATEMENT OF OPERATIONS
(Unaudited)

	Nine Months Ended March 31,		Three Months Ended March 31,		Cumulative from Inception to March 31, 1992
	1992	1991	1992	1991	
REVENUES					
Sales of Patent Rights and Research Information	---	---	---	---	$1,250,000
Sales – Pro-gesic	$20,957	$74,680	$1,345	$19,681	$186,452
License Fee, Royalty and Research Income	$332,418	$135,954	$41,100	$30,988	$1,999,605
Insurance Proceeds	---	---	---	---	$500,000
Interest Income	$12,497	$450	$3,709	---	$293,099
	$365,872	$211,084	$46,154	$50,669	$4,229,156
COSTS AND EXPENSES					
Research and Development	$210,041	$288,785	$72,491	$67,468	$3,249,555
Payments in Lieu of Royalties	$75,000	$75,000	$25,000	$25,000	$850,000
Product and Marketing Costs – Pro-gesic – Net	$65,154	$307,330	$16,397	$29,801	$605,184
	$350,195	$671,115	$113,888	$122,269	$4,704,739
General and Administrative	$169,949	$334,760	$52,329	$73,729	$5,332,575
Interest Expense	$86,228	$60,607	$19,625	$21,201	$279,173
	$606,372	$1,066,482	$185,842	$217,199	$10,316,487
LOSS BEFORE INCOME TAXES	($240,500)	($855,398)	($139,688)	($166,530)	($6,087,331)
DEFERRED INCOME TAXES	---	---	---	---	$80,000
NET LOSS	($240,500)	($855,398)	($139,688)	($166,530)	($6,167,331)
LOSS PER COMMON SHARE	($0.07)	($0.03)	($0.04)	($0.06)	($3.04)
AVERAGE NUMBER OF SHARES OUTSTANDING	3,476,435	2,802,590	3,684,991	2,802,599	2,029,654

See accompanying notes to financial statements.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED MARCH 31, 1992
(UNAUDITED) AND YEARS ENDED JUNE 30, 1991, 1990 AND 1989

	Common Stock		Additional Paid-In Capital	Deficit Accumulated During the Development Stage	Total
	Shares	Amount			
Balance - June 30, 1988	2,349,161	$4,698	$4,458,953	($4,296,570)	$168,081
Stock issued in connection with private placements at $2.00 per share	22,500	$45	$44,955		$45,000
Stock issued for services at $1.49 per share	18,500	$37	$27,463		$27,500
Stock issued for services at $2.00 per share	37,500	$75	$74,925		$75,000
Net loss				($627,066)	($627,066)
Balance - June 30, 1989	2,427,661	$4,855	$4,606,296	($4,922,636)	($311,485)
Stock issued in connection with private placements at $2.00 per share	20,000	$40	$39,960		$40,000
Stock issued in connection with private placements at $2.00 per share	100,000	$200	$99,800		$100,000
Stock issued in connection with exercies of Basil warrant 254,766 shares at $.4875 per share	254,766	$510	$123,688		$124,198
Additional shares issued in connection with reverse stock split	158				
Net loss				($441,733)	($441,733)
Balance - June 30, 1990	2,802,585	$5,606	$4,869,744	($5,364,369)	($489,020)
Additional shares issued in connection with reverse stock split	53				
Net (loss)				($562,462)	($562,462)
	$2,802,638	$5,606	$4,869,744	($5,926,231)	($1,051,482)
Stock issued in connection with private placement at $.17 per share	$882,353	$1,765	$148,235		$150,000
Net (loss) nine months ended March 31, 1992				($240,500)	($240,500)
Balance - March 31, 1992	$3,684,991	$7,370	$5,017,979	($6,167,331)	($1,141,982)

See accompanying notes to financial statement.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS
(UNAUDITED)

	Cumulative from July 1, 1988 to March 31, 1992	For the Nine Months Ended March 31 1992	1991
OPERATING ACTIVITIES:			
Net loss	($1,871,761)	($240,500)	($855,398)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	$199,410	$16,719	$87,237
Amortization of deferred charges	$108,000	---	$34,875
Abandonment Leasehold Improvements	$44,848	---	---
Issuance of common stock in payment of legal fees	$27,500	---	---
Issuance of common stock in payment of deferred loan costs	$75,000	---	---
Changes in assets and liabilities:			
Royalties and other receivables	$32,462	$505,202	$360,804
Accounts receivable	---	$9,728	$36,449
Inventories	---	$5,000	$4,664
Prepaid expenses and sundry	$27,556	$13,064	$6,342
Accounts payable	$231,484	($76,381)	$103,526
Accrued interest payable	$208,429	$21,982	$56,250
Royalty received in advance	($25,000)	---	---
Accrued expenses and sundry liabilities	$244,979	$55,230	$72,240
Net cash used by operating activities	($697,093)	$310,044	($93,011)
INVESTING ACTIVITIES:			
Capital expenditures	($94,688)	---	---
Other assets	($77,913)	---	$30,588
Net cash used by investing activities	($172,601)	---	$30,588
FINANCING ACTIVITIES:			
Proceeds from loans	$774,901	---	$95,000
Reduction in long-term debt	($113,188)	($23,445)	($22,965)
Proceeds from sale of common stock	$459,198	$150,000	---
Net cash provided by financing activities	$1,120,911	$126,555	$72,035
NET (DECREASE) IN CASH	$251,217	$436,599	$9,612
CASH - BEGINNING	$188,740	$3,358	$6,521
CASH - ENDING	$439,957	$439,957	$16,133

See accompanying notes to financial statements

NASTECH PHARMACEUTICAL COMPANY, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS
(UNAUDITED)

	Cumulative from July 1, 1988 to March 31, 1992	For the Nine Months Ended March 31	
		1992	1991
OPERATING ACTIVITIES:			
Net loss	($1,871,761)	($240,500)	($855,398)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	$199,410	$16,719	$87,237
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NET (DECREASE) IN CASH	$251,217	$436,599	$9,612
CASH - BEGINNING	$188,740	$3,358	$6,521
CASH - ENDING	$439,957	$439,957	$16,133

See accompanying notes to financial statements

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NASTECH PHARMACEUTICAL COMPANY, INC.

(A Development Stage Enterprise)

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Cumulative From 3/3/83 (Inception) to 12/31/88
Working Capital used for:	
Operations:	
Net Loss	($4,460,960)
Deduct Items not Affecting Working Capital:	
Depreciation and Amortization	$65,642
Deferred Income Taxes	$80,000
Total Used for Operations	($4,315,318)
Acquisition of property and equipment-net	($279,302)
Redemption of Common Stock	($550)
Costs Incurred for Registration of Common Stock held by Underwriter and Stock Option Shares	($48,200)
Increase in Security Deposit	($35,000)
Total Working Capital Used	($4,679,070)
Working Capital Provided By:	
Issuance of Common Stock and Warrants	$4,512,401
Decrease in Working Capital	($166,669)
Changes in Working Capital are Represented By:	
Increase in Current Assets:	
Cash	$39,164
Royalty Receivable	$91,500
Prepaid Expenses and Sundry Receivables	$9,739
	$140,403
Decrease in Current Liabilities:	
Accounts Payable	$283,146
Accrued Expenses and Sundry Liabilities	$23,926
	$307,072
(Decrease) in Working Capital	($166,669)
Working Capital at Beginning of Period	
Working Capital (Deficit) at End of Period	($166,669)

See Accompanying Notes to Financial Statements

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NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
March 31, 1992

(1) General

The accompanying financial information should be read in conjunction with the financial statements, including the notes thereto, for the year ended June 30, 1991.

The information furnished in this report reflects all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

In addition to the Company's licensing arrangements with the University of Kentucky Research Foundation, the Company has researched a number of drugs independently, for which patents have been applied.

All share and per share amounts included herein have been adjusted to reflect the 1:200 reverse stock split of January 2, 1990.

(2) Long-Term Debt

Long term debt consists of the following at March 31, 1992:

	1991
Loan Payable- Basil Properties due May 3, 1992 with interest at 12.5%	$600,000
Loan Payable- Basil Properties due February 15,1993	120,000
Other	6,711
	$726,711
Less: Amount payable within one year	725,752
	$ 959

On May 3, 1989, Basil Properties (Basil) made a loan to the Company of $600,000. The loan was due the earlier of May 3, 1991 or the closing of a public offering of the capital stock of the Company. As part of the financing, the Company issued to Basil warrants to purchase up to 10% of the Company's outstanding Common Stock.

On May 3, 1991 the Company was unable to repay the loan to Basil. Basil agreed to forbear from declaration of the loan and all accrued interest as immediately due and payable until May 3, 1992.

In consideration of this forbearance on July 17, 1991, Nastech issued a warrant granting Basil a five year right to purchase 200,000 shares of the common stock of the Company at a purchase price of $.125 per share, which price was equal to the fair market value of a share of Nastech common stock on the date of the agreement.

(3) Income Taxes

At March 31, 1992 the Company has net operating loss carryforwards of approximately $6,418,000 for income tax purposes, available to reduce future taxable income, expiring from 1998 through 2006.

The research and development expenditures incurred by the Company through June 30, 1986, are subject to the minimum tax provisions of the Internal Revenue Code. The deferred income tax liability at December 31, 1991 in the amount of $80,000 represents minimum taxes deferred until the Company utilizes its net operating loss carryforwards and obtains the benefit of the deduction of the research and development expenditures.

(4) Commitments and Contingencies

a. Minimum Royalty Payments:

In connection with the license agreement with the University of Kentucky Research Foundation ("UKRF"), the Company is to make royalty payments to UKRF with respect to sales of products covered under the patents licensed to the Company by UKRF. Payment of $25,000 every three months, beginning in December, 1983, must be made in lieu of a minimum royalty under the agreement.

Minimum royalty payments begin twelve months after FDA marketing approval for any product covered under the agreement is received by the Company. The minimum royalty during the first, second and each succeeding year beginning twelve months after FDA approval amounts to $100,000, $300,000, and $500,000, respectively.

In the event there are no unexpired patents licensed to the Company by UKRF covering the manufacture, use or sale of products, then the Company is to pay one half of such royalties and minimum royalties.

b. Leases:

On December 6, 1990, the Company leased office and laboratory space under a three-year lease agreement expiring on December 31, 1993. The following is a schedule of future minimum lease payments:

12 Months Ending March 31, 1992	$31,980
12 Months Ending March 31, 1993	24,820
	$56,800

(5) Joint Venture Agreement

On May 3, 1989, the Company and Basil agreed to form a joint venture on an equal equity basis for the purpose of exercising the exclusive rights to manufacture, distribute or market outside of the United States all pharmaceutical or other products or technology relating to nasal delivery owned by the Company, subject to the Company's existing international contracts.

The agreement provides for Basil to contribute $50,000 in cash as a capital contribution and the Company's capital contribution (valued at $50,000) to be represented by a transfer of its rights, title and interest in and to the manufacture, distribution and marketing outside of the United States of all pharmaceutical and other products and technology owned by the Company relating to nasal delivery.

At December 31, 1990 Nastech's share of accumulated losses of the joint venture amounted to $34,200. Nastech's equity in the joint venture has not been recorded on its books since all costs incurred by Nastech relating to the rights and technology transferred to the joint venture were charged to income incurred.

Basil shall exercise its best efforts to enter into licensing, marketing or other agreements to achieve the purpose of the joint venture.

The agreement provides for covenants not to compete for both parties and provides that Basil will either secure or provide a line of credit for the joint venture of $250,000.

(6) Contractual Agreements

The Company has entered into an exclusive agreement with Rugby for the manufacture, marketing and distribution of certain of the Company's products following FDA approval. The Company is to receive a percentage of net sales after Rugby has recovered certain costs incurred. On June 26, 1987 the Company entered into an agreement appointing Rugby as its exclusive licensee to manufacture, distribute and market propranolol. In consideration for the transfer of the propranolol research and development information, Rugby paid the Company $500,000 as follows: a) $300,000 upon execution of the agreement which was received and recorded as income during the year ended June 30, 1987 and b) $200,000 which was received and recorded as income during the year ended June 30, 1989.

In addition, in consideration of the granting of the exclusive license to the propranolol patents, Rugby paid the Company $100,000 as follows: a) $50,000 upon execution of this agreement which was received and recorded as income during the year ended June 30, 1987 and b) $50,000 which was received and recorded as income during the year ended June 30, 1989. Rugby has also agreed to pay the Company a 7% royalty based on net sales, as defined.

During November, 1985 the Company entered into an exclusive agreement with Nature's Bounty, Inc. under which Nature's Bounty, Inc. will manufacture, market and sell a non-prescription, nasally administered Vitamin B-12 dietary supplement. The financial arrangements include the Company receiving a percentage of net sales of this product.

In January, 1986 the Company licensed to Bristol-Myers Squibb, Inc. its patent to administer the drug butorphanol nasally, which resulted in license fee income of $50,000, $25,000 and $45,000 for the years ended June 30, 1990, 1989, and 1988, respectively. In December 1991, the FDA gave Bristol-Myers Squibb, Inc. approval to market nasal butorphanol. Sales of this product should result in future royalty payments to the company when up.

As part of an agreement dated December 13, 1989, Basil and a group of other investors have given to the Company $300,000 to be used to finance the development, manufacturing, marketing and distribution of a new product "Pro-gesic". At June 30, 1990, the entire amount was used. The product and marketing costs of Pro-gesic in the statement of operations for 1990 are presented net of the $300,000.

The investors will receive 30% of the pre-tax profit from the sale of this product in the first year, 40% in the second year and 50% for each additional year. There was no profit on the sale of Pro-gesic through June 30, 1991 and, therefore, no amount is due to the investors presently.

On March 31, 1990 the Company entered into an agreement with Rugby-Darby Laboratories, Inc. whereby the Company terminated the manufacturing and distribution agreement and sold its patent rights and research information relating to its developmental drug Metoclopramide in nasal delivery form for $700,000. Additionally, the Company is to receive royalties based upon net sales of the product.

Due to the Company's limited liquidity as well as high initial manufacturing costs for Pro-gesic", management has decided to defer any further marketing activities relating to Pro-gesic" until further notice.

(7) Continued Existence

The financial statements for the nine months ended March 31, 1992 have been prepared on a continuing existence basis. However, the Company incurred a net loss of $139,688 during the nine months ended March 31, 1992; losses cumulative since inception amount to $6,167,331 and its liabilities exceeded its total assets by $1,141,983.

Management is awaiting FDA approval to market and sell several of the nasally administered drugs it has applied for which could result in the Company emerging from its development stage. It cannot be predicted when FDA approval will be forthcoming.

In addition, management is continually exploring ways of obtaining funds through loans or private or public equity financing opportunities.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
March 31, 1992

Management is of the opinion that FDA approval will provide for the Company's commencement of profitable operations. Management believes that should it be able to secure adequate funds through financing opportunities, it will have sufficient resources for the Company to continue in existence until it can emerge from the development stage into a profitable operating entity. However, there is no certainty that FDA approval or such funding will be forthcoming.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
March 31, 1992

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations - Quarter Ended March 31, 1992

During the quarter ending March 31, 1992, the Company continued to conduct the pharmacological research and assemble the technical and reference data required to gain marketing approval from the appropriate federal agencies for four new drug products. The Company's New Drug Application ("NDA") for a therapeutic, intranasal Vitamin B12 which was accepted for filing in February, 1989, is being supplemented with additional clinical data. To date, final approval by the FDA of this and other new drug products being developed by the Company cannot be predicted with any certainty, and no assurance can be given that any product will be approved. Until the Company receives approval to market its drugs from the appropriate governmental authorities, it anticipates having limited operating revenues.

Revenue totaling $41,000 was received by the Company as a result of licensing, royalty and research income.

A portion of the Company's revenues resulted from the continued marketing of the Company's non-prescription Vitamin B12 nasal gel by Nature's Bounty, Inc. However, in a regulatory letter, the FDA requested that Nature's Bounty discontinue the sale of this product contending that it is a new drug rather than a dietary supplement. The Company has been informed that Nature's Bounty, on the advice of its FDA counsel, has responded with a detailed explanation supporting its view that, as a vitamin being marketed for nutritional purposes only, the product is exempt from regulation as a drug. While this dispute is being litigated, the product continues to be sold.

The Company also received approximately $1,345 from the sales of Pro-gesic®, a liquid analgesic developed in the Company's laboratories. Due to the Company's limited liquidity as well as high initial manufacturing costs for Pro-gesic®, management has decided to defer any further marketing activities relating to Pro-gesic® until further notice.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
March 31, 1992

Three Month Period Ended March 31, 1992 Compared With Prior Fiscal Years

As the Company continues to be in the developmental stage, the Company's activities continue to be focused primarily on conducting the pharmacological research and clinical trials in order to gain marketing approval for its first nasal pharmaceutical, its therapeutic intranasal Vitamin B12. As such, comparisons to prior periods are not reflective of any meaningful trends or developments in its operations.

In the quarter ended March 31, 1992, the Company concluded no material transactions involving sales of its intellectual property. Such sales had accounted for a significant portion of revenues in prior periods.

Liquidity and Capital Resources

As of the end of the quarter ended March 31, 1992, the Company had a working capital deficit of $1,154,470. The Company has been able to maintain its operations as a result of substantially reducing its operating costs and the receipt of certain "Key Man" insurance proceeds in August 1991, and the receipt of advance royalties from Bristol Myers Squibb, as set forth above. Further, the Company was also able to retain a forebearance agreement from its principal creditor, Basil Properties.

The Company's continued liquidity for the present fiscal year is subject to the following: receipt of continued royalty and license fee income from existing sources; revenue from the sale of research information; continued reduction of operating costs; continued cooperation by the Company's principal creditor; possible revenues from the marketing of a new drug product, should such product be given marketing approval by the FDA; and/or the receipt of funds raised from an equity financing. However, there is no assurance that any of the foregoing will occur.

NASTECH PHARMACEUTICAL COMPANY, INC.
(A Development Stage Enterprise)
Notes to Financial Statements (Unaudited)
March 31, 1992

Item 1. Legal Proceedings
None

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized at Hauppauge, New York on the 30th day of March, 1992.

NASTECH PHARMACEUTICAL COMPANY, INC.

BY: ______________________________
VINCENT ROMEO, President
and Chief Executive Officer

BY: ______________________________
JOEL GIRSKY, Director,
Treasurer & Principal Financial And
Accounting Officer

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

H92-2237

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended MARCH 31, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

92 13 7392

Commission file number 0-15198

OVONIC SYNTHETIC MATERIALS COMPANY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	38-2640630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1788 NORTHWOOD, TROY, MICHIGAN 48084
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (313) 362-1290

____
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. Yes X . No____.

As of April 30, 1992 there were 586,714 shares of Cumulative Preferred Stock and 1,400,000 shares of Common Stock outstanding.

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OVONIC SYNTHETIC MATERIALS COMPANY, INC.

(a development stage company)

STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended March 31.		Nine Months Ended March 31.		Cumulative January 1, 1980 to March 31, 1992
	1992	1991	1992	1991	
REVENUES					
Product sales	$266,444	$560,036	$1,103,317	$1,321,976	$8,792,465
Revenues from business agreements	57,001	126,170	305,098	581,725	9,094,339
Interest and other	41,871	90,226	92,396	157,642	1,538,077
TOTAL REVENUES	364,871	776,432	1,500,811	2,061,343	19,424,436
EXPENSES					
Cost of product sales	112,829	186,353	361,897	379,450	3,557,102
Cost of revenues from business agreements	66,221	135,934	309,160	561,289	7,247,384
Development and research	181,821	51,717	482,225	139,692	10,144,072
Patent (net)	27,764	71,333	62,532	83,600	1,439,727
General & administrative	195,778	218,165	560,629	625,742	12,049,431
Interest	-	-	-	-	78,601
TOTAL EXPENSES	584,353	663,502	1,776,383	1,789,773	34,516,257
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(219,482)	112,930	(275,572)	271,570	(15,091,821)
INCOME TAXES					(122,000)
NET INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY ITEMS	(219,482)	112,930	(275,572)	271,570	(15,213,821)
EXTRAORDINARY ITEM - TAX BENEFITS FROM UTILIZATION OF TAX LOSS CARRY FORWARD					122,000
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	(219,482)	112,930	(275,572)	271,570	(15,091,821)
NET (LOSS) FROM DISCONTINUED OPERATIONS					(9,537,715)
LOSS ON DISPOSAL					(252,844)
NET INCOME (LOSS)	$(219,482)	$112,930	$(275,572)	$271,570	(24,882,380)
Less - Losses incurred prior to November 8, 1985					13,950,839
Losses subsequent to November 8, 1985					$(10,931,541)

See notes to financial statements.

OVONIC SYNTHETIC MATERIALS COMPANY, INC.

(a development stage company)

BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	June 30, 1991 (Audited)
CURRENT ASSETS		
Cash	$ 3,398	$ 165,167
Short-term interest-bearing investments (at cost which approximates market)	1,300,000	1,000,000
Accounts receivable (net of allowance for uncollectible accounts of approximately $4,000 and amounts due from related parties)	337,800	581,164
Inventories	271,237	274,707
Prepaid expenses and other current assets	8,750	6,200
TOTAL CURRENT ASSETS	1,921,185	2,027,238
PROPERTY AND EQUIPMENT		
Leasehold improvements	283,420	283,420
Machinery and other equipment	3,472,477	3,437,536
	3,755,897	3,720,956
Less accumulated depreciation and amortization	(3,448,334)	(3,221,372)
TOTAL PROPERTY AND EQUIPMENT	307,563	499,584
TOTAL ASSETS	$2,228,748	$ 2,526,822

See notes to financial statements.

OVONIC SYNTHETIC MATERIALS COMPANY, INC.

(a development stage company)

BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	June 30, 1991 (Audited)
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$122,323	$197,635
Salaries, wages and amounts withheld from employees	38,940	43,501
Amounts owed to Energy Conversion Devices, Inc.	13,250	-
Deferred Revenue	44,121	-
TOTAL CURRENT LIABILITIES	218,634	241,136
STOCKHOLDERS' EQUITY		
Exchangeable Cumulative Preferred Stock, par value $27.00 per share: Authorized 781,859 shares, and outstanding 586,714 shares at March 31, 1992 and 661,048 shares at June 30, 1991, (liquidation preference and redemption price of $27.00 per share) (Note B)	15,841,278	17,848,296
Common Stock, par value $.01 per share: Authorized - 4,000,000 shares Issued and outstanding - 1,400,000 shares	14,000	14,000
Additional Paid-in capital	8,196,570	6,189,552
Deficit accumulated during the development stage	(22,041,734)	(21,766,162)
TOTAL STOCKHOLDER'S EQUITY	2,010,114	2,285,686
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$2,228,748	$2,526,822

See notes to financial statements.

OVONIC SYNTHETIC MATERIALS COMPANY, INC
(a development stage company)
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,		Cumulative January 1, 1980 to March 31, 1992
	1992	1991	
OPERATING ACTIVITIES			
Net income (loss) from continuing operations	$(275,572)	$271,570	$ (15,091,821)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	226,762	290,277	4,505,209
Loss on sale of equipment			317,178
Gain on sale of equipment			(19,365)
Changes in working capital other than debt			
Accounts receivable	243,364	(313,801)	(337,720)
Inventory	3,670	70,622	(271,237)
Other assets	(2,550)	(2,459)	(8,750)
Accounts payable	(75,312)	(645)	122,323
Salaries, wages and amounts withheld from employees	(4,561)	(4,708)	38,940
Deferred revenue	44,121	74,769	44,121
Amounts payable to parent - ECD	13,250	(25,660)	13,250
NET CASH PROVIDED BY (USED IN) CONTINUING OPERATIONS	173,172	359,965	(10,687,872)
DISCONTINUED OPERATIONS			
Net loss from discontinued operations			(9,537,715)
Add expenses not using working capital			
Depreciation			881,518
Loss on disposal			(252,844)
Gain on sale of equipment			(201,077)
NET CASH PROVIDED BY (USED IN) OPERATIONS	170,878	359,965	(19,820,164)
INVESTING ACTIVITIES			
Purchases of capital equipment	(34,941)	(19,458)	(6,639,957)
Proceeds from sale of capital equipment			868,751
NET CASH USED IN INVESTING ACTIVITIES	(34,941)	(19,458)	(5,771,206)
FINANCING ACTIVITIES			
Principal payments under capital lease obligations			(376,080)
Proceeds from issuance of long-term debt			376,080
Investment by ECD			16,892,494
Net proceeds from sale of Preferred Stock			21,110,193
Distribution to ECD	—	—	(11,110,193)
NET CASH PROVIDED BY FINANCING ACTIVITIES			26,892,494
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	138,231	340,507	1,303,398
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,165,167	319,753	—
CASH AND EQUIVALENTS AT END OF PERIOD	$1,303,398	$660,260	$1,303,398

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash equivalents:
Cash equivalents consists of investments in short-term, highly-liquid securities having a maturity of three months or less from date of acquisition made as a part of OSMC's cash management activity.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS - MARCH 31, 1992

NOTE A - Basis of Presentation

Information for the three and nine months ended March 31, 1992 and 1991 is unaudited but includes all adjustments which Ovonic Synthetic Materials Company, Inc. ("OSMC") considers necessary for a fair presentation of financial condition, cash flows and results of operations.

In accordance with the instructions for the completion of the Quarterly Report on Form 10-Q, certain information and footnotes necessary to comply with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with OSMC's 1991 Annual Report on Form 10-K which contains a summary of OSMC's accounting principles and other footnote information.

Revenue Recognition

Revenues from business agreements which are on a cost-plus basis are recognized in accordance with the terms of the agreement. Revenues from business agreements, where there are no specific performance terms, are recognized in amounts equal to the expenses incurred on the programs plus any capital equipment purchased under these programs whereby OSMC retains title to the equipment which is depreciated in accordance with OSMC's depreciation policy. In addition, OSMC has had other agreements accounted for on a percentage of completion basis; if there are losses, OSMC records losses at the time such losses become apparent. All costs incurred by OSMC in connection with its performance under these agreements, including direct product development and research, patents, operating, general and administrative and depreciation, are recorded in OSMC's financial statements as cost of revenues from business agreements.

In addition to the revenues from business agreements, which are recognized in accordance with the above policies, there are revenues from product sales which are recognized upon shipment of the product. Included in other revenues are: the gain on sale of certain capitalized equipment; interest, which is recognized on an accrual basis as the interest income is earned; and revenue from certain deposition and specialty coatings services performed for outside parties that qualify neither as contract revenue nor product sales.

NOTE B - Preferred Stock Dividend

Holders of OSMC Preferred Stock, in preference to the holders of Common Stock, are entitled to receive from the surplus or net profits of OSMC annual cumulative dividends, payable quarterly without further declaration by the Board of Directors of OSMC commencing on February 15, 1992 at an annual rate of $3.24 per share. As of April 30, 1992, there were 586,714 shares of OSMC Preferred Stock outstanding. Such dividends are cumulative to the extent unpaid. If on any dividend date, the surplus or net profits of OSMC are not sufficient to enable payment of the full accrued dividends, there is required to be paid on that date a proportionate amount of such accrued dividends to the full extent of funds legally available for that purpose without further declaration by the Board of Directors.

As of March 31, 1992 and currently, OSMC is not permitted to pay any dividends on the Preferred Stock under applicable provisions of Delaware Corporate Law, which defines surplus as accumulated deficit and additional paid-in capital. OSMC may pay dividends only from surplus on the prior and current years' net earnings, but in the case of net earnings only to the extent OSMC's net assets exceed the aggregate par value of the Preferred Stock. As of March 31, 1992, OSMC's net assets were approximately $2,000,000 compared to approximately $15,800,000 of Preferred Stock value. As of May 15, 1992, OSMC will cumulate the $951,000 of dividends payable on the Preferred Stock on that date until such dividend date as OSMC may pay a dividend under Delaware law. Because of the requirements of Delaware law, OSMC does not anticipate that it will be able to pay any dividends on the OSMC Preferred Stock in the foreseeable future. In accordance with generally accepted accounting principles, OSMC will not accrue any liability on its balance sheet for cumulated dividends until such time as it determines that payment thereof is probable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

As of March 31, 1992, OSMC had working capital of approximately $1,703,000 including cash and short-term investments of approximately $1,303,000.

OSMC's contract with Inland Steel Industries ("Inland Steel") to fund OSMC's magnet program was completed in September 1991. OSMC does not anticipate receiving any funding for the upcoming year from Inland Steel. OSMC is pursuing other financing arrangements to continue its magnet program.

During the past nine months, OSMC had average gross monthly cash requirements for operations of approximately $175,000 and generated positive cash flow of approximately $15,000 per month. OSMC anticipates average gross monthly cash requirements for operations of approximately $160,000 and negative cash flow of approximately $15,000 per month. In addition, during the next twelve months OSMC plans to spend approximately $100,000 on modifying certain equipment. OSMC's management contemplates that (a) currently available cash and short-term interest bearing investments, (b) projected product sales and development contracts and (c) funds available from existing contracts will enable OSMC to have cash sufficient to continue its operations. OSMC has reduced its number of employees from 23 at June 30, 1991 to 17 employees currently.

While during the nine months ended March 31, 1992, X-ray optic products sales were $1,103,000 OSMC's product sales have not yet attained a sales volume sufficient to generate positive cash flow from operations. Consequently, OSMC will need to consummate ongoing business arrangements currently being discussed or negotiated until its product sales are sufficient to generate positive cash from operations.

OSMC is currently discussing a variety of other business agreements and believes that it will be able to obtain the necessary financing from these activities. No assurance can be given, however, that OSMC can successfully conclude additional arrangements.

ECD has provided, and is continuing to provide, certain operational, research and management support to OSMC. The lack of such support could have a material effect on OSMC's business.

Results of Operations

Three Months Ended March 31, 1992 Compared to Three Months Ended March 31, 1991

The change from the net income from continuing operations for the three months ended March 31, 1991 compared to the net loss for three months ended March 31, 1992, $112,930 and $(219,482) respectively, was due to decreases in revenues from product sales and business agreements, partially offset by reductions in operating expenses in 1992.

The decrease in product sales from $560,036 in the three months ended March 31, 1991 to $266,444 in the three months ended March 31, 1992 was due to a decrease in the number of units of X-ray dispersive mirrors sold in 1992.

The decrease in revenues from business agreements from $126,170 in the three months ended March 31, 1991 to $57,001 in the three months ended March 31, 1992 was primarily due to the completion of the Inland program in September 1991, partially offset by new short-term agreements.

The decrease in other revenues from $90,226 in the three months ended March 31, 1991 to $41,426 in the three months ended March 31, 1992 was due to decreases in billings for various services performed for third parties.

The decrease in cost of product sales from $'86,353 in the three months ended March 31, 1991 to $112,829 in the three months ended March 31, 1992 was the result of decreased product sales in 1992.

The decrease in cost of revenue from business agreements from $135,934 for the three months ended March 31, 1991 to $66,221 for the three months ended March 31, 1992 was primarily due to the completion of the Inland program in September 1991.

The increase in direct product development and research expense from $51,717 in the three months ended March 31, 1991 to $181,821 in the three months ended March 31, 1992 was due principally to the completion of the Inland program in September, 1991 and the continuation of this research after that date.

The decrease in operating, general and administrative expenses from $218,165 in the three months ended March 31, 1991 to $195,778 in the three months ended March 31, 1992 was due to decreases in depreciation and operating activities, partially offset by increases in administrative fees payable to ECD.

OSMC contracts with ECD for the provision of certain services relating to materials research and analysis and administrative activities. ECD currently provides these services in amount and at prices mutually agreed upon by ECD and OSMC.

Nine Months Ended March 31, 1992 Compared to Nine Months Ended March 31, 1991

The change from the net income from continuing operations for the nine months ended March 31, 1991 compared to the net loss for nine months ended March 31, 1992 of $271,570 and $(275,572) respectively, was due to decreases in revenues from product sales and business agreements, partially offset by reductions in operating expenses.

The decrease in product sales from $1,321,976 in the nine months ended March 31, 1991 to $1,103,317 in the nine months ended March 31, 1992 was due to a decrease in the number of units of X-ray dispersive mirrors sold in 1992.

The decrease in revenues from business agreements from $581,725 in the nine months ended March 31, 1991 to $305,098 in the nine months ended March 31, 1992 was primarily due to the completion of the Inland program in September 1991, partially offset by new short-term agreements.

The decrease in other revenues from $157,642 in the nine months ended March 31, 1991 to $92,396 in the nine months ended March 31, 1992 was due to decreases in billings for various services performed for third parties.

The decrease in cost of product sales from $379,450 in the nine months ended March 31, 1991 to $361,897 in the nine months ended March 31, 1992 was the result of decreased product sales, partially offset by increased manufacturing costs in 1992.

The decrease in cost of revenue from business agreements from $561,289 for the nine months ended March 31, 1991 to $309,160 for the nine months ended March 31, 1992 was primarily due to the completion of the Inland program in September, 1991.

The increase in direct product development and research expense from $139,692 in the nine months ended March 31, 1991 to $482,225 in the nine months ended March 31, 1992 was due principally to the completion of the Inland program in September 1991 and the continuation of the research after that date.

The decrease in operating, general and administrative expenses from $625,742 in the nine months ended March 31, 1991 to $560,629 in the nine months ended March 31, 1992 was due to decreases in depreciation and operating activities, partially offset by increases in administrative fees payable to ECD.

OSMC contracts with ECD for the provision of certain services relating to materials research and analysis and administrative activities. ECD currently provides these services in amount and at prices mutually agreed upon by ECD and OSMC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Holders of OSMC Preferred Stock were entitled to exchange such shares for shares of common stock of ECD ("ECD Common Stock") on a one-for-one basis through November 15, 1991 which was extended by the U.S. District Court for the Western District of New York in Rochester ("the Court") through January 3, 1992. Currently, there are 586,714 shares of OSMC Preferred Stock outstanding. On May 1, 1992, Manning & Napier Advisors, Inc. ("Manning & Napier"), filed a motion with the Court seeking a reinstatement and extension of the right to exchange the OSMC Preferred Stock into ECD Common Stock until certain events related to the Consent Decree among William Manning, Manning & Napier and ECD and Stanford R. Ovshinsky have occurred. This motion is scheduled to be heard by the Court on June 3, 1992. ECD's management has not yet filed a response.

Item 6. Exhibits and Reports on Form 8-K

A. EXHIBITS

None.

B. REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ovonic Synthetic Materials Company, Inc.
(Registrant)

Date: May 15, 1992

By:
Stanford R. Ovshinsky
Chief Executive Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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Form 10-Q

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(Mark One)

X Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

I92-2237

For the quarterly period ended January 31, 1992 or

- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from ______ to ______

Commission File Number: 0-5348

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OZITE CORPORATION
(Exact name of Registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of incorporation or organization)

[illegible]4340
(IRS Employer Identification No.)

L30

1755 Butterfield Road, Libertyville, Illinois 60048
(Address of principal executive office)

Registrant's telephone number, including area code: (708) 362-8210

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No ____

As of March 23, 1992 there were 5,373,574 shares of Common Stock, $.25 par value outstanding.

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OZITE CORPORATION AND SUBSIDIARIES

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Part I. Financial Information

Item 1. Financial Statements:

OZITE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except share data)

ASSETS	January 31, 1992 (Unaudited)	July 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,711	$ 6,132
Accounts receivable, less allowance of $2,757 and $2,611 respectively	25,426	26,941
Inventories	33,493	18,800
Federal and state income taxes receivable	1,070	3,145
Prepaid expenses and other current assets	1,072	1,444
TOTAL CURRENT ASSETS	62,772	56,462
PROPERTY, PLANT AND EQUIPMENT, net	40,190	39,081
EXCESS COST OF INVESTMENT OVER NET ASSETS ACQUIRED	48,061	48,743
INVESTMENT IN AFFILIATES, net of deferred gain of $1,321 and $2,386 respectively	11,479	11,479
OTHER ASSETS	2,399	2,782
NOTES AND INTEREST RECEIVABLE FROM OFFICERS	1,012	1,035
TOTAL ASSETS	$165,913	$159,582

See notes to consolidated financial statements.

Part I. Financial Information

Item 1. Financial Statements:

OZITE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands except share data)

LIABILITIES AND STOCKHOLDERS' DEFICIT	January 31, 1992 (Unaudited)	July 31, 1991
CURRENT LIABILITIES:		
Notes payable - related parties	$ 7,981	$ 9,070
Notes Payable	6,369	6,579
Revolving credit facility	18,750	7,000
Accounts payable	12,940	13,472
Other current liabilities	13,448	14,629
Accrued interest	2,693	2,662
Current portion of long-term debt	29,383	29,346
TOTAL CURRENT LIABILITIES	91,564	82,758
LONG-TERM DEBT	87,097	87,021
DEFERRED INCOME TAXES	671	638
OTHER LONG-TERM LIABILITIES	199	136
TOTAL LIABILITIES	179,531	170,553
STOCKHOLDERS' DEFICIT:		
Preferred Stock, Class A	560	560
Preferred Stock, Class B	119	119
Common stock, $.25 par value; 12,000,000 shares authorized; issued and outstanding, 5,403,416	1,351	1,351
Additional paid-in capital	27,719	27,719
Accumulated deficit	(44,348)	(41,048)
Less Treasury Stock-29,842 shares at cost	(90)	(90)
Cumulative foreign currency translation adjustment	1,156	503
Accumulated excess pension benefit obligation	(85)	(85)
TOTAL STOCKHOLDERS' DEFICIT	(13,618)	(10,971)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$165,913	$159,582

See notes to consolidated financial statements

OZITE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands except per share data)

	Six Months Ended January 31,		Three Months Ended January 31,	
	1992	1991	1992	1991
	(Unaudited)		(Unaudited)	
Net sales	$ 66,265	$ 67,469	$ 35,413	$ 37,607
Cost and Expenses:				
Cost of goods sold	48,417	50,624	26,109	28,335
Selling, general and administrative	12,949	12,855	6,681	6,920
	61,366	63,479	32,790	35,255
Operating income	4,899	3,990	2,623	2,352
Other income/(expense):				
Interest expense, net of amortization of deferred financing costs	(8,896)	(9,488)	(4,557)	(5,001)
Other, net	21	(51)	(14)	(59)
	(8,875)	(9,539)	(4,571)	(5,060)
Loss from continuing operations before tax benefit	(3,976)	(5,549)	(1,948)	(2,708)
Income tax benefit	(676)	(623)	(295)	(197)
Loss from continuing operations	(3,300)	(4,926)	(1,653)	(2,511)
Discontinued operations:				
Loss on sale, net taxes benefit	-	(2,541)	-	(2,541)
Income/(Loss) from operations, net of taxes	-	68	-	50
Loss before extraordinary item	(3,300)	(7,399)	(1,653)	(5,002)
Extraordinary item:				
Income related to extinguishment of debt, net of income taxes of $312	-	605	-	-
NET LOSS	$(3,300)	$(6,794)	$(1,653)	$(5,002)
DIVIDENDS APPLICABLE TO PREFERRED STOCK	(2,038)	(1,771)	(1,019)	(1,019)
NET LOSS APPLICABLE TO COMMON SHARES	$(5,388)	$(8,565)	$(2,672)	$(6,021)
INCOME (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:				
Continuing Operations	$ (.61)	$ (.91)	$ (.31)	$ (.47)
Discontinued Operations	-	(.46)	-	(.46)
Extraordinary Items	-	.11	-	-
NET INCOME (LOSS)	$ (.61)	$ (1.26)	$ (.31)	$ (.93)
WEIGHTED AVERAGE SHARES OUTSTANDING	5,373,574	5,373,574	5,373,574	5,373,574

See notes to consolidated financial statements

OZITE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	Six Months Ended January 31,	
	1992	1991
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,300)	$ (6,794)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization	909	1,255
Depreciation	2,424	2,297
Provision for losses on accounts receivable	146	63
Loss on sale of discontinued operation	-	3,022
Gain on sale of fixed assets	(21)	(17)
Gain on repurchase of long-term debt	-	(917)
Change in assets and liabilities, net of effects from purchase and sales of businesses:		
(Increase)/decrease in assets:		
Accounts receivable	1,369	(1,258)
Inventory	(14,693)	(15,772)
Prepaid expenses and other current assets	372	527
Federal and state income taxes receivable	2,075	-
Notes and interest receivable from officers	23	31
Other assets	269	153
Increase/(decrease) in liabilities:		
Accounts payable, other current liabilities and accrued interest	(1,682)	(2,499)
Deferred income taxes	33	36
Other long-term liabilities	63	-
Foreign currency translation adjustment	585	530
Net cash used in operating activities	(11,428)	(19,343)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net	(3,475)	(1,443)
Proceeds from sale of Ansa Bottle Company	-	1,350
Proceeds from sale of property	31	125
Net cash (used in) provided by investing activities	$ (3,444)	$ 32

See notes to consolidated financial statements

(Continued)

OZITE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Continued)

	Six Months Ended January 31,	
	1992	1991
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under line-of-credit agreement	$ 11,750	$ 16,610
Payments for repurchase of Senior Subordinated Notes	-	(3,095)
Repurchase of common stock of subsidiary	-	(200)
Payments from other borrowings	(1,299)	(1,266)
Net cash provided by financing activities	10,451	12,049
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,421)	(7,262)
CASH AND CASH EQUIVALENTS, beginning of the period	6,132	11,338
CASH AND CASH EQUIVALENTS, end of the period	$ 1,711	$ 4,076
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 8,079	$ 8,779
Income taxes	$ 122	$ 2,013

See notes to consolidated financial statements

OZITE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JANUARY 31, 1992 AND 1991

1. BASIS OF PRESENTATION AND GOING CONCERN CONSIDERATIONS

A. Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the ordinary course of business. There are factors discussed below which indicate that both Ozite Corporation ("Ozite" or the "Company") and its wholly-owned subsidiary, PST Holdings, Inc. ("PST Holdings" or "Holdings") may be unable to continue as going concerns. The effect of the uncertainties discussed below as to the ability of Ozite and PST Holdings, Inc. to continue as going concerns on the recoverability of their assets and the amount of their liabilities is not presently known. Accordingly, the accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

The Company has significant cash flow problems both at the corporate parent level of Ozite ("Ozite Parent") and its wholly-owned subsidiary, PST Holdings. Ozite Parent has a deficiency in assets and has significant overdue liabilities - principally to private placement investors and related parties. PST Holdings is current with respect to its liabilities; however, principal payments on senior secured notes of $29,406,000 are due in June 1992.

The assets and liabilities, results of operations and cash flows included in the accompanying consolidated financial statements are principally attributable to PST Holdings, the Company's wholly-owned subsidiary. In addition, there are certain restrictions that exist as set forth in the bond indenture agreements of PST Holdings, which limit the availability of its retained earnings or net income for dividend purposes. In addition, the credit facility between a bank and PST Holdings' subsidiary, Plastic Specialties & Technologies, Inc. ("PST"), prohibits the upstreaming of funds except upon the consent of such bank. As such, Ozite Parent cannot rely solely upon PST Holdings to fund its operations or resolve its financing problems.

The Company has taken steps and developed plans to attempt to restructure the Ozite liabilities and is pursuing various alternatives available to generate cash for payment of amounts due bondholders by PST Holdings.

B. Ozite Parent Only - Going Concern Considerations

Set forth below is a discussion of the steps taken by Ozite Parent (excluding PST Holdings) and the proposal it is preparing to implement in an attempt to resolve its financial difficulties.

Effective as of February 28, 1992, Ozite Parent transferred all of its inventory, equipment, accounts receivable, prepaid expenses and its rights under the sublease of its office/manufacturing facility in Libertyville, Illinois to a newly-formed subsidiary, Ozite Manufacturing Co. ("Ozite Co."), subject to the assumption by Ozite Co. of certain of the trade payables of Ozite Parent, in exchange for all of its capital stock (1,000 shares of common stock). Effective as of February 29, 1992, Ozite Parent sold all of the Ozite Co. stock to PST for a selling price consisting of $2,000,000 payable in cash and 3,750 shares of Series A preferred stock of ARTRA GROUP Incorporated with an appraised value of $940,000. Of the cash proceeds received from the sale of Ozite Co. stock, $1,930,000 were paid to Vader Group Inc. ("Vader") on behalf of Peter R. Harvey, a director of Ozite, in payment of a promissory note of Ozite payable to Mr. Harvey which was pledged to Vader to secure certain obligations of both Mr. Harvey and Dalen Trading Co. (a subsidiary of Ozite) to Vader. See Note 4 for a description of the Series A preferred stock.

On December 26, 1991, Ozite Parent entered into an agreement with Peter R. Harvey, and Bagcraft Corporation of America ("Bagcraft"), reducing notes payable - related parties by $1,089,000. This transaction was originated because Bagcraft was indebted to Ozite, which was indebted to Peter R. Harvey, who was in turn indebted to Bagcraft. In a simultaneous non-cash transactions, a series of credits of $1,089,000 were made against Bagcraft's obligation to Ozite, Ozite's obligation to Mr. Harvey, and Mr. Harvey's obligation to Bagcraft. Bagcraft's $1,089,000 obligation to Ozite was for accrued tax liabilities under a tax sharing agreement owed to Sage Group, Inc. ("Sage"), formerly the parent of Bagcraft, prior to Sage's disposition of Bagcraft and merger into Ozite.

Ozite Parent is presently seeking to pay and/or settle its remaining indebtedness to noteholders and certain other creditors, principally by the issuance of equity securities in exchange for the release of indebtedness. Settlement proposals have not, as of the date hereof, been presented to such noteholders and other creditors and no assurance can be given that any such proposals will be accepted. Management of Ozite Parent does not believe that, generally, it is responsible for the obligations of its subsidiary, Dalen Trading Company ("Dalen"), not assumed by Ozite Parent. In addition, Ozite Parent intends to contest vigorously in court the counterclaims of the former owner of Dalen and its subsidiary, Silk Plants, Etc. Franchise Systems, Inc., in the litigation between Ozite Parent and such person which is pending.

Although the possibility exists that Ozite Parent's creditors could force Ozite into bankruptcy, management believes that the Ozite Parent can continue as a going concern for the foreseeable future because they believe that there is recognition by the creditors that a debt restructuring is to their advantage. In addition, it is anticipated that limited cash dividends can be paid by PST Holdings to Ozite Parent in the event cash is needed to satisfy certain creditors.

C. PST Holdings - Going Concern Considerations

PST Holdings has significant cash requirements in fiscal 1992, consisting of principal payments of $29,406,000 on its Senior Secured Notes and the required repurchase of warrants to purchase its common stock.

The Company does not expect that cash flows from operations will be sufficient to meet the cash requirements of Holdings in fiscal 1992. Accordingly, the Company has identified and is currently exploring various alternatives to generate sufficient cash funds to satisfy the cash requirements of Holdings in fiscal 1992. The alternatives currently under consideration include a sale and leaseback of one of its manufacturing facilities, an infusion of additional capital, revising its line of credit and refinancing of the Senior Secured and Senior Subordinated Notes. Subsequent to January 31, 1992, the Company signed a non-binding letter of intent for the sale and leaseback of the manufacturing facility.

Barring the occurrence of certain significant events, including an initial public offering of Holdings or PST, or in the event of default under the Senior Secured or Senior Subordinated Notes, Holdings will be required to offer to repurchase outstanding warrants after June 1, 1992, in accordance with the Warrant Agreement and at a market price determined by an independent appraisal.

Management is confident that the various alternatives available to the Company will generate sufficient funds to satisfy its cash requirements in fiscal 1992. However, there is no assurance that the above plans can be achieved.

2. INTERIM FINANCIAL INFORMATION

The unaudited consolidated balance sheet as of January 31, 1992, the unaudited consolidated statements of operations for the three and six month periods ended January 31, 1992 and 1991, and the unaudited consolidated statements of cash flows for the six months ended January 31, 1992 and 1991 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments (which include only normal recurring accruals) necessary to present fairly the financial position, results of operations and changes in cash flows of the financial statements presented have been included.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The attached financial statements should be read in connection with the consolidated financial statements and notes thereto included in the Company's 1991 Annual Report on Form 10K for the year ended July 31, 1991.

3. MERGER WITH SAGE GROUP, INC.

On August 24, 1990, Sage Group, Inc. was merged into the Company. Sage's subsidiary, PST Holdings, Inc. became a subsidiary of Ozite. The merger was accounted for as a combination of entities under common control, similar to that of a pooling of interests. Effective upon the merger, the fiscal year of the Company was changed to July 31.

4. INVESTMENTS IN AFFILIATES AND RELATED PARTY TRANSACTIONS

Investments in affiliates include a $5,000,000 subordinated note bearing interest at a rate of 13-1/2% per annum and 50,000 shares of 13-1/2% cumulative redeemable preferred stock with a face value of $5,000,000, in an affiliated company, Bagcraft, a wholly-owned subsidiary of Artra. The subordinated note is due and the preferred stock is mandatorily redeemable on June 1, 1997. The Company last received an interest payment on the subordinated note on June 1, 1988. The Company has reserved all interest accrued subsequent to June 1, 1988 and has not received or recorded cumulative preferred dividends due to cash payment restrictions imposed by Bagcraft's secured lender. As of January 31, 1992, the Company has reserved $2,475,000 of interest in arrears and has not recorded dividends of $3,150,000 related to these investments.

During 1991, Artra engaged an investment banking firm to propose various alternatives which would allow Artra to maximize the value of its investment in Bagcraft. Several alternatives are under consideration, each of which are based on certain operating assumptions of which the outcomes is not readily determinable. Accordingly, the Company is not in a position to determine when or if the various alternatives available to Artra will be acted upon. However, based upon the alternatives available to Artra at this time, the Company believes that there has been no diminution in the carrying value of its investment in Bagcraft.

Prior to March 3, 1990, Bagcraft was a wholly-owned subsidiary of Sage. Effective March 3, 1990, Sage sold Bagcraft to the affiliated company, Artra. As consideration, Sage obtained a contractual right to receive, subject to Artra shareholder approval, 772,000 shares of common stock (the "Common Shares") and 3,750 share of $1,000 par value junior convertible 6% cumulative payment-in-kind redeemable Series A preferred stock (the "Preferred Shares") of Artra.

On December 19, 1990, the date Artra shareholders approved the issuance of the Common and Preferred Shares to the Company, the NYSE closing price of the Artra common stock was $5.75 per share or a total market value of $4,439,000 for the Common Shares. The discounted value of the Preferred Shares on December 29, 1990 was $1,012,000. On March 3, 1990, the net book value of Bagcraft was $1,479,000 and, accordingly, the sale of Bagcraft resulted in a gain to the Company of $3,972,000. Such gain has been deferred in the accompanying consolidated financial statements as the Common and Preferred Shares are not freely transferable. As described in Note 1.B, the Preferred Shares were re-delivered to Ozite as partial consideration for the sale by Ozite of all of the stock of Ozite Co. to PST.

The investment in Common Shares, which represents approximately 19% of the outstanding common stock of Artra, is accounted for under the equity method of accounting as the Company, through its major shareholders and officers, exercises significant influence in the policy decisions of Artra. At December 19, 1990 the excess of the carrying value of the Common Shares over the underlying stockholders' deficit of Artra amounted to $5,218,000 and is being amortized over a period of five years. The Company's share of the net losses of Artra, including amortization, of the excess carrying amount, totalled $1,065,000 for the six months ended January 31, 1992 and $1,586,000 for the year ended July 31, 1991. Income or losses recorded by Artra after September 30, 1991 were not recorded by the Company but will be upon the receipt of Artra's 10-K for the year ended December 31, 1991. The Company had not received or recorded dividends related to Artra preferred stock for all periods presented. Such amount will be recorded as a equal reduction of the carrying value of the Common Shares and the deferred gain.

5. LONG-TERM DEBT

The Company's long-term debt originally consisted of $125,000,000 13-1/8% Senior Subordinated Notes due June 1, 1997 and $50,000,000 12-3/4% Senior Secured Notes due June 1, 1992. Payment of interest and principal under these obligations is guaranteed by PST. Repurchases together with the reclassification of the $29,383,000 Senior Secured Notes to a current liability reduced PST's long-term debt at January 31, 1992 to $87,097,000.

The indentures impose certain restrictions on, among other matters, the payment of cash dividends, the incurrence of indebtedness by the Company and the redemption of capital stock. Mandatory annual sinking fund payments of $25,000,000 are required to retire 60% of the aggregate principal amount of the Senior Subordinated Notes commencing July 1, 1994.

6. DISCONTINUED OPERATIONS

During December 1990, the Company sold the assets of Ansa Bottle Company ("Ansa") for $1,350,000 cash and the assumption of certain liabilities. This sale resulted in a loss of $2,541,000, net of an income tax benefit of $481,000. For the three and six month periods ended January 31, 1991, Ansa generated income of $50,000 and 68,000, net of income taxes of $28,000 and 37,000 respectively. Ansa was engaged in the assembly and distribution of plastic baby bottles. The disposal resulted in a discontinuance of the plastic baby bottle business.

7. LOSS PER SHARE

The primary loss per share is computed based upon the weighted average number of shares and share equivalents outstanding during the period. The common share equivalents are excluded from the calculation because their effect would be anti-dilutive.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED JANUARY 31, 1992 VS. THREE MONTHS ENDED JANUARY 31, 1991

Net sales for the three months ended January 31, 1992, were $35,413,000 a decrease of $2,194,000 or 5.8% compared to the same period in fiscal 1991. This decrease is primarily attributed to a 16.0% decline in European sales based on a local currency which translated to a $1,271,000 or 21.2% decline when converted into U.S. dollars. Sales from domestic operations for the three months ended January 31, 1992 generally outpaced those from the second quarter of fiscal 1991 in volume with the exception of aftermarket, pool hose and medical tubing sales which lagged considerably.

Cost of goods sold for the second quarter of fiscal 1992 was $26,109,000, or 73.8% of net sales compared to $28,335,000 or 75.3% of net sales for the second quarter of fiscal 1991. This improvement reflects improved manufacturing efficiencies and lower raw material prices, particularly resin.

Selling, general and administrative expenses for the second quarter of fiscal 1992 were $6,681,000, a $239,000 decline when compared to the second quarter of fiscal 1991. As a percentage of sales, these expenses increased from 18.4% for the quarter ended January 31, 1991, to 18.9% for the quarter ended January 31, 1992, as bad debt allowances and other selling expenses, such as salaries and insurance costs rose slightly.

Operating income in the second quarter of fiscal 1992 increased to $2,623,000 from $2,352,000 for the second quarter of fiscal 1991, an 11.6% improvement. As a percentage of sales, operating income improved from 6.3% for the second quarter of fiscal 1991 to 7.4% for the second quarter of fiscal 1992. These results are mainly attributable to improved manufacturing efficiencies and to lower raw material costs and were achieved, despite lower sales volume and a disproportionate increase in selling costs.

Interest expense for the three months ended January 31, 1992 was $4,557,000 as compared to $5,001,000 expensed during the three months ended January 31, 1991. The $444,000 in interest savings is attributed to bond buy backs accomplished in fiscal 1991, to the reduction in bank debt during the same year and from lower interest rates on relatively comparable borrowing under the revolving credit facility.

The benefit from income taxes does not reflect a normal effective tax rate due to tax on foreign earnings and non deductible expenses.

For the quarter ended January 31, 1992, the Company registered a loss from continuing operations of $1,653,000 as compared to a loss from continuing operations of $2,511,000 for the three months ended January 31, 1991. The $858,000 improvement was the result of interest savings, improved manufacturing efficiencies and lower raw material costs. This was achieved despite lower sales volume and a disproportionate increase in selling costs.

Discontinued operations for the three months ended January 31, 1991 includes the loss form the sale of the net assets of ANSA in December 1990, net of taxes and the loss from its operations, net of taxes.

For the second quarter of fiscal 1992, Ozite Corporation and subsidiaries had a net loss of $1,653,000 compared to a $5,002,000 loss for second quarter of fiscal 1991. The difference is due primarily to the fiscal 1991 loss recognized from the sale of ANSA.

RESULTS OF OPERATIONS - SIX MONTHS ENDED JANUARY 31, 1992 VS. SIX MONTHS ENDED JANUARY 31, 1991

Net sales for the six month period ended January 31, 1992 were $66,265,000, a decrease of $1,204,000 or 1.8% as compared to the six month period ended January 31, 1991. This decline is mainly attributable to a 6.6% decline in sales by European operations as computed in local currency which translated to a $1,512,000 shortfall or 13.8% decline in U.S. dollars. Increased volume of PVC compounds and gaskets and certain price increases offset a portion of the foreign sales decline.

Costs of goods sold for the first six months of fiscal 1992 were $48,417,000 or 73.1% of net sales compared to $50,624,000 or 75.0% of net sales for the first six months of fiscal 1991. This improvement reflects improved manufacturing efficiencies and lower raw material costs.

Selling, general and administrative expenses for the six month period ended January 31, 1992 increased $94,000 as compared to the six month period ended January 31, 1991. As a percentage of sales, these expenses rose from 19.1% to 19.5%. This is attributable to increases in the fixed components of selling costs such as salaries and insurance costs, coupled with a decline in sales volume.

Operating income for the first six months of fiscal 1992 was $4,899,000, an increase of $909,900, as compared to the first six months of fiscal 1991. As a percentage of sales, operating income increased from 5.9% to 7.4%. The percentage improvement was the result of improved manufacturing efficiencies and to lower raw material costs and was achieved despite lower sales volume and a disproportionate increase in selling costs.

The decrease in interest expense for the first six months of fiscal 1992 of $592,000 as compared to the same period for fiscal 1991 is attributable to bond buybacks accomplished in fiscal 1991, to the reduction in bank debt during the year and to lower interest rates on relatively comparable borrowing under the revolving credit facility.

The benefit from income taxes does not reflect a normal effective tax rate due to tax on foreign earnings and non-deductible expenses.

For the six months ended January 31, 1992, the company registered a loss from continuing operations of $3,300,000 as compared to a loss from continuing operations of $ 4,926,000 for the six months ended January 31, 1991. The $1,626,000 improvement was the result of interest savings, improved manufacturing efficiencies and lower raw material costs and was achieved despite lower sales volume and a disproportionate increases in selling costs.

Discontinued operations for the first six months of fiscal 1991 included the loss from the sale of the net assets of ANSA in December 1990, net of taxes and the loss from its operations, net of taxes.

During the first six months of fiscal 1991, the Company purchased in the open market $4,000,000 face value of its 12-1/8% Senior Subordinated Notes for $3,098,000 resulting in a gain of $605,000 net of taxes.

For the six month period ended January 31, 1992, Ozite Corporation and subsidiaries had net loss of $3,300,000 compared to a $6,794,000 loss for the same period of fiscal 1991. The difference is due primarily to the fiscal 1991 loss recognized from the sale of ANSA and to interest and cost savings achieved to date during fiscal 1992.

Financial Position, Liquidity, and Capital Resources

Working capital exclusive of the revolving credit facility and the current portion of long term debt, increased $9,291,000 during the first six months of fiscal 1992 ($10,050,000 at July 31, 1991 vs. $19,341,000 at January 31, 1992). Working capital at January 31, 1991 was $28,641,000 representing an increase of $16,620,000 from the July 31, 1990 level of $12,021,000. The largest portion of these increases are the result of seasonal growth in the company's garden hose inventory and accounts receivable during the first half of the fiscal year. Historically, PST funds its working capital requirements from internally generated funds and bank borrowings. The net cash used by operating activities during the first half of fiscal 1992 and 1991 ($11,428,000 and $19,343,000) truly reflect these requirements.

For the first six months of fiscal 1992, $11,428,000 of cash and cash equivalents were used in operating activities, as the $14,693,000 build up in inventory and the $1,682,000 reduction in related payables exceeded funds generated from income tax refunds ($2,075,000) and from trade receivables ($1,369,000). To finance these operating requirements and capital expenditures, the company borrowed an additional $11,750,000 under the revolving credit facility and reduced its cash by $4,421,000. Also, as described in Note 1B of the footnotes, the company decreased its outstanding indebtedness with related parties by $1,089,000.

Operating activities for the first six months of fiscal 1991 required $19,343,000. This was primarily due to a $15,772,000 inventory build up, an increase in trade receivables of $1,258,000, and a $2,499,000 decline in the aggregate total of accounts payables and accrued expenses.

The Company increased its borrowing under its revolving credit facility by $16,610,000 to finance these operating requirements. Capital expenditures, and $3,095,000 related to bond buybacks reduced the company's cash by $7,262,000.

The revolving credit facility allows the company to borrow up to $40,000,000. The commitment on the facility is subject to annual renewal on November 30, 1992. It bears interest on the outstanding balance at bank's base rate plus 1-1/4% prime. Management believe that based on historical seasonal cash requirements, the credit facility will provide the Company with sufficient funds to meet its seasonal working capital needs.

The businesses of the Company are relatively stable and mature and do not generally require significant ongoing additions to plant and equipment. For the six months ended January 31, 1992, capital expenditures for the Company were $3,475,000.

As detailed in Footnote 1 to the financial statements, the Company is undergoing steps to reduce its outstanding debt. Notes payable plus accrued interest of $4,217,000 are past due as of January 31, 1992. Also, its wholly-owned subsidiary, PST Holdings, Inc. has significant cash requirements in fiscal 1992, consisting of $29,406,000 of principal payments on Senior Secured Notes and the repurchase of at least a portion of certain stock warrants.

Part II: Other Information

Item 6. Exhibits and Reports on Form 8-K

Exhibits

None

Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Ozite Corporation
Registrant

Date: 3/23/92

By: ______________________
Terence K. Brennan
President and Chief
Operating Officer

Date: 3-23 92

By: ______________________
Melvin R. Miller
Controller

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0-34826

MANUALLY EXECUTED

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Quarter Ended
ended September 30, 1991

Commission file
No. 33-28003

PIERCE INTERNATIONAL GOLD, INC.
(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction of
incorporation or organization)

84-1097212
(I.R.S. Employer ID.)

12200 E. Briarwood Avenue, Suite 270, Englewood, CO 80112
(Address of principal executive offices) (Zip Code)

Registrants's telephone number, including area code (303)-792-0719

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes_____ No x

Class	Outstanding at September 30, 1991
Common Stock, no par value	31,751,200

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PART I - FINANCIAL INFORMATION *

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*The accompanying financial statements are not covered by an independent certified public accountants' report.

Pierce International Gold. Inc.
Balance Sheets

ASSETS	September 30, 1991	June 30, 1991
Current Assets:		
Cash	$34	$33
Related party accounts receivable	-	-
Prepaid expenses	-	-
	-----------	-----------
Total Currents Assets	34	33
Property and Equipment:		
Undeveloped land and mineral properties (Note 2)	151,133	151,288
Office furniture and equipment	4,000	4,000
Less accumulated depreciation	(2,133)	(1,933)
	-----------	-----------
	153,000	153,355
Other Assets:		
Deferred Administrative (Note 1)	-	1,662
	-----------	-----------
	$153,034	$155,050
	===========	===========

Liabilities and Stockholder's Equity

	September 30, 1991	June 30, 1991
Current Liabilities:		
Accounts payable and accured liabilities	$16,765	$15,562
Advances from officer/director/stockholders	4,122	4,122
Related party payable (Notes 2 & 3)	128,998	116,998
	-----------	-----------
Total Current Liabilities	149,885	136,682
Deferred Revenue (Note 2)	74,134	74,134
Stockholder's Equity: (Notes 4 & 6)		
Preferred stock, no par value, authorized, 10,000,000 shares, no shares issued	-	-
Common stock, no par value, authorized, 750,000,000 shares, 31,751,200 shares issued and outstanding	202,024	202,024
Retained Earings (Accumulated dedicit)	(273,009)	(257,790)
	-----------	-----------
	(70,985)	(55,766)
	-----------	-----------
	$153,034	$155,050
	===========	===========

See notes to financial statements.

PIERCE INTERNATIONAL GOLD, INC.
STATEMENT OF OPERATIONS

	Quarter Ended 9/30/91 (UNAUDITED)	Quarter Ended 9/30/90
REVENUE:		
Fees	-	$3,780
Interest	-	6
	-----------	-----------
	0	3,787
EXPENSES		
General and administrative	4,769	14
Advertising & public relations	-	0
Legal and outside services	10,250	9,569
Depreciation and amortization	200	200
	-----------	-----------
Total expenses	15,219	9,783
	-----------	-----------
NET INCOME (LOSS)	($15,219)	($5,996)
	===========	===========
NET INCOME (LOSS) PER SHARE	*	*
	===========	===========
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	31,751,200	31,751,200
	===========	===========

* less than $.001 per share.

Pierce International Gold, Inc.

Statement of Changes in Stockholders' Equity
For the Period from July 19, 1988 (Inception)
September 30, 1991

	Common Stock		Retained Earnings (Accumulated) (Deficit)	Total Stockholders' Equity
	Shares	Amount		
Balances, July 19, 1988 (inception)	-	$ -	$ -	$ -
Sale of common stock to officers/directors on October 3, 1988 ($.005) per share	5,400,000	2,700	-	2,700
Sale of common stock at $.0005 per share on October 3, 1988	600,000	300	-	300
Common stock issued for option to acquire Joint Venture interest on October 3, 1988 ($.0005 per share) (Note 2)	20,000,000	10,000	-	10,000
Sale of common stock at $.01 per share on October 17, 1988	2,250,000	22,500	-	22,500
Net loss for the year ended June 30, 1989	-	-	(15,838)	(15,838)
Balances, June 30, 1989	28,250,000	35,500	(15,838)	19,662
Sale of common stock in Public Offering (.05 per share) Net of Offering Costs	4,301,200	166,524	-	166,524
Net profit for the year ended June 30, 1990			600	600
Balances, June 30, 1990	32,551,200	202,024	(15,238)	186,786
Stock received as part of Underwood resignation	(900,000)			
Net loss for the year ended June 30, 1991			(242,552)	(242,552)
	31,751,200	202,024	(257,790)	(55,766)
Net loss for the period ended September 30, 1991			(15,219)	(15,219)
	31,751,200	$202,024	($273,009)	($70,985)

See Notes to Financial Statements.

Pierce International Gold, Inc.
Statement of Cash Flows

	Three months ended September 30,	
	1991	1990
Cash flows from operating activities:	(Unaudited)	
Net loss	($15.219)	($5.996)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	200	200
Decrease in accounts receivable	-	-
Increase in related party receivables	-	(1.395)
Decrease in prepaid expenses	-	2.000
(Increase) Decrease in deferred administr.	1.662	(2,912)
Increase in accounts payable	1.203	10,928
Increase in related party payables	12.000	11,999
	---------	---------
Net cash used in operating activities	(154)	14,824
Cash flows from Investing Activities:		
Purchase of land & mineral properties	155	(20.646)
Purchase of property and equipment	-	-
	---------	---------
Net cash used in investing activities	155	(20.646)
Cash flow from Financial Activities:		
Advances from officer/directors/stockholders	-	3.180
	---------	---------
Net cash provided by financial activities	0	3.180
Net Change in Cash	1	(2.642)
CASH, Beginning of Period	33	3.784
CASH, September 30,	$34	$1.142
	=========	=========

See Notes to Financial Statements.

PIERCE INTERNATIONAL GOLD, INC.
(UNAUDITED)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1991

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Operations - Pierce International Gold, Inc. (PIGI) was incorporated in Colorado on July 19, 1988, for the purpose of exploring, developing and mining of specific gold properties. PIGI is a 62.99% owned subsidiary of Pierce International, Inc. (PI) which is a publicly held entity.

Deferred Administrative - Consists of expenses associated with both the Grizzly Hill and Music Mountain joint ventures.

Net Profit (Loss) Per Common Share - Net profit (loss) per common share is computed based upon the weighted average number of shares outstanding during the period.

Continuing Operations - The accompanying financial statements have been prepared on a going concern basis, which contemplates continuity of operations and realization of assets and satisfaction of liabilities in the normal course of business. The continuation of the Company as a going concern is dependent upon the Company raising additional capital, and attaining and maintaining profitable operations. The Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern.

Unaudited Information - The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary to reflect properly the results of the interim periods presented. Results of operations for the periods presented are not necessarily indicative of the results expected for the year.

2. MINERAL PROPERTIES:

On March 1, 1990, the Company acquired, from it's parent PI a 13.24% distribution interest in the APAN joint venture in exchange for a $600,000 promissory note. The value of the interest was established by PI which sold a 6% interest of its interest in the joint venture for $200,000 in cash. Management has chosen to eliminate this transaction for reporting purposes because of the related party nature of the asset and the uncertainty as to when the property may produce cash flow. APAN is a mining venture with permits and water rights to a gravel deposit containing gold located in Park County, Colorado near the town of Como. Currently, the joint venture does not have adequate funds to proceed to production.

The original Music Mountain joint venture acquired the rights to the claims on September 14, 1988 pursuant to a 25-year mineral lease which can be extended for 10 years if the property is being actively mined and for additional 10-year periods under the same stipulation. Monthly lease payments of $1,000 have been made by PI and are treated as advance minimum royalty payments against a production payment equal to 3% of the gross returns from the property without deduction of any kind. In addition, the Company is obligated under the lease to do $30,000 worth of assessment or development work on

2. MINERAL PROPERTIES: (continued)

the property per year until the year in which production and sale of ore, dore or concentrates from the mining claims actually takes place. The Company has the right to terminate the lease at any time but is required to pay all obligations accrued to the date of termination.

In addition to the mining claims, the Company has acquired a well-use permit for a water well located on the property. The property on which the claims are located is accessed by a county road. The property has no surface plants or facilities. Adits and access tunnels from previous operations are over 60 years old but still appear to be in relatively good condition.

From 1879 to 1909 the property supported 12 individual small mines. In 1984 a Canadian company, which appears to have ceased all its operations, did geological and mining engineering work. From this work and based on studies undertaken by the directors, over the last year the Company estimated that there is approximately 119,000 tons of mineralized material containing approximately 65,000 ounces of gold and 320,000 ounces of silver. By May of 1989, the Company completed a feasibility study indicating that the cost of mining and processing the ore, including amortization of capital, would be about $275 per ounce of produced gold. It is unlikely that mining or other recovery operations will ever be commenced unless the Company obtains a source of funds.

Drilling during the summer of 1990 at Grizzly Hill, failed to verify expectations. With the unlikely potential for near surface ore, the potential for a near term sale to a third party is remote. Based on this information and the high holding costs on the property, the Company and its joint venture partner have terminated their lease on this property. The Company has taken a loss of $186,365 on its investment in Grizzly Hill.

3. RELATED PARTY TRANSACTIONS:

At September 30, 1991 the Company was still obligated to pay Pierce International, Inc.(PI) $128,998 for accrued fees, cash advances, and the remaining balance due against the Music Mountain property. The Company continues to accrue $3,000 per month payable to PI, and PI continues to advance $1,000 monthly for the Music Mountain lease. Subsequent to the quarter ended September 30, 1991, the Company owes approximately $151,000 to PI.

In addition, the Company has a $600,000 investment in the APAN joint venture and a related note of $600,000 that is due PI. This transaction has been eliminated because it lacks substance until such time the APAN joint venture is able to perform.

Dr. Pierce D. Parker has outstanding advances of $4,122 to the Company.

PIERCE INTERNATIONAL GOLD, INC.
(UNAUDITED)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1991

4. STOCKHOLDERS' EQUITY:

The Company has the authority to issue 10,000,000 shares of no par value, preferred stock. The preferred stock may be issued in one or more series and with the preferences, rights and restrictions as determined by the Board of Directors.

The Company became effective August 7, 1989 with a public offering of 50,000 units for $10 per unit. Each unit consists of 200 shares of the Company's no par value common stock and forty common stock purchase warrants. Each warrant entitles the holder to purchase one share of common stock at $.15 until August 7, 1992. The Company has the right to redeem the warrants upon 30 days written notice, at $.00001 per warrant.

On December 8, 1989 the Company closed its public offering after selling 4,301,200 common shares for gross proceeds to the Company of $215,060. Net proceeds after offering costs totaled $166,524.

Effective April 1, 1990, R. Clark Underwood resigned as Secretary, Treasurer, and Director of the Company and as President and Director of PI. The resignation was contingent upon a Stock Purchase and Settlement Agreement executed on August 20, 1990 to be effective April 1, 1990. PI, in exchange for 35 million shares of its common stock and 800,000 of the Company's common stock, transferred ownership of Underwood Financial Management, Inc. (a PI subsidiary) to R. Clark Underwood. This transaction reduced the Company's outstanding shares to 31,751,200, a 2.5% reduction.

5. INCOME TAXES:

At June 30, 1991, the Company had approximately $71,425 of net operating losses which, if not utilized to reduce future taxable income, expire: $15,000 in 2005 and $56,425 in 2006. In addition, the Company has a capital loss carryforward of $186,365 which, if not utilized to offset capital gains, will expire through the year 1996.

6. SUBSEQUENT EVENTS:

On March 4, 1992 the Board of Directors approved the issuance of 11,000,000 shares of restricted common stock in exchange for approximately $7,300 which will be placed in escrow pursuant to a stock purchase agreement. The funds are specifically designated for accounting, audit, legal, and transfer costs. In addition the Board agreed to exchange the Music Mountain Property, the APAN interest and certain equipment, if PI will agree to forgive the outstanding liabilities against the properties. These transactions will facilitate the transfer of majority ownership. However, the transfer will not be completed until the stock purchase agreement is executed and funds are in escrow.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarter Ended September 30, 1991.

Introduction

The Company has very minor operations. PI, the Company's parent, has provided funds to continue the lease on the Music Mountain property while seeking a possible buyer. The APAN joint venture continues to seek funding however, it seems unlikely that it will generate cash flow in the near future and thus management has eliminated the $600,000 investment and the related liability (note payable to PI) from the financial statements.

Liquidity

The Company is insolvent. Working capital was a negative $149,851 at the quarter ended September 30, 1991. The Company continues to receive funds from PI. PI has made total advances of approximately $128,998 (includes accrued fees) with $3,000 cash advanced for the quarter ended September 30, 1991. Since the quarter ended September 30, 1991, PI has continued support with $5,000 in cash to meet the Music Mountain obligation. In addition, PI continues to accrue a management fee of $3,000 per month. This fee includes but not limited to: administration, accounting, and rent.

The Company needs to establish regular operating income. Currently, it is severely dependent upon its parent for operating capital. There is no certainty how long PI can, or will support the Company.

Results of Operations

During the fiscal quarter-ended September 30, 1991 the Company suffered a net loss of $15,219. The previous year's first quarter loss was $5,996. No revenue was generated. The Company accrued $9,000 in management fees due PI and paid $3,000 in land lease payments.

The Company's ability to continue as a going concern is highly unlikely unless it can raise additional capital.

Subsequent Events

On March 4, 1992 the Board of Directors approved the issuance of 11,000,000 shares of restricted common stock in exchange for $7,300 which will be placed in escrow pursuant to a stock purchase agreement. The funds are specifically designated for accounting, audit, legal, and transfer costs. In addition the Board agreed to excnange the Music Mountain Property, the APAN interest and certain equipment, if PI will agree to forgive the outstanding liabilities against the properties. These transactions will facilitate the transfer of majority ownership. However, the transfer will not be completed until the stock purchase agreement is executed and funds are in escrow.

PART II - OTHER INFORMATION

ITEMS #1 THROUGH #6 (a) - no response required.

ITEM 6 (b) - No reports were filed on the Form 8-K during the quarter ended September 30, 1991.

SIGNATURES

Pursuant to tne requirements of the Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Signature	Capacity	Date
Pierce D Parker Pierce D. Parker	President and Director (Chief Executive Officer)	March 15, 1992
Vicki D.E. Barone	Treasurer (Principal Financial & Accounting Officer)	March 15, 1992

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______________ to ______________

Commission File Number: 33-19608

PINNACLE BANC GROUP, INC.
(Exact name of registrant as specified in its charter)

Illinois	36-3190818
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2211 York Road, Suite 502, Oak Brook, Illinois 60521
(Address of principal executive offices)

(708) 574-3550
(Registrant's telephone number, including area code)

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er address and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS: As of May 14, 1992, the registrant had 4,581,527 shares outstanding of common stock, $4.69 par value.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Presented on the following pages are the unaudited consolidated balance sheets of Pinnacle Banc Group, Inc. and subsidiaries ("Pinnacle") for March 31, 1992 and December 31, 1991, the related consolidated statements of income for the three month periods ended March 31, 1992 and 1991, and the related consolidated statements of cash flows for the three month periods ended March 31, 1992 and 1991.

The interim financial statements reflect all normal recurring adjustments, such as estimated provisions for profit sharing and bonus arrangements normally determined at year end, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. Footnote disclosure has been omitted since it would substantially duplicate the disclosure contained in the latest audited financial statements of Pinnacle contained in the 1991 Annual Report to Shareholders. No events subsequent to the end of the most recent fiscal year have occurred which have had a material impact on the financial condition of Pinnacle, with the exception of the acquisition discussed in the following paragraph.

The statements reflect the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992. A description of the transaction is contained in Pinnacle's report on Form 8-K dated April 10, 1992.

Consolidated BALANCE SHEETS
PINNACLE BANC GROUP, INC. and Subsidiaries

	(UNAUDITED) March 31 1992	December 31 1991
Assets:		
Cash and due from banks	$ 28,697,602	$ 22,138,500
Federal funds sold	21,888,995	10,950,000
Total cash and cash equivalents	50,586,597	33,088,500
Interest bearing deposits	19,542,000	26,465,000
Investment securities	439,253,162	299,329,249
Loans	186,909,981	195,940,380
Less: Allowance for loan losses	(2,627,780)	(2,516,590)
Net loans	184,282,201	193,423,790
Premises and equipment	9,695,027	9,864,941
Goodwill and other intangibles	12,237,759	9,247,339
Other assets	12,570,857	9,082,510
Total	$728,167,603	$580,501,329
Liabilities:		
Demand deposits:		
Non-interest bearing	$ 77,093,733	$ 78,401,796
Interest bearing	90,011,108	63,248,764
Savings deposits	242,086,211	204,143,931
Other time deposits	240,480,307	163,679,376
Total deposits	649,671,359	509,473,867
Short term borrowings	629,609	621,965
Notes payable	14,350,000	7,400,000
Other liabilities	5,451,328	5,944,806
Minority interest in subsidiaries	139,184	141,863
Total liabilities	670,241,480	523,582,501
Stockholders' equity:		
Preferred stock 1,000 shares authorized, none issued	- 0 -	- 0 -
Common stock, $4.69 par 20,000,000 shares authorized; shares issued and outstanding: 3/31/92: 4,581,527 12/31/91: 4,615,067	21,475,908	21,633,127
Surplus	17,086,640	17,086,642
Retained earnings	19,363,575	18,199,059
Total stockholders' equity	57,926,123	56,918,828
Total	$728,167,603	$580,501,329

Consolidated STATEMEMTS OF INCOME (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

	For the three months ended March 31	
	1992	1991
Interest Income:		
Loans	$ 4,392,485	$ 5,147,514
Investment securities:		
Taxable	4,278,316	3,750,411
Tax exempt	860,862	972,702
Interest bearing deposits, federal funds sold	505,089	1,191,661
Interest income	10,036,752	11,062,288
Interest Expense:		
Deposits:		
Interest bearing demand	484,934	656,112
Savings	2,115,211	2,217,189
Other time	2,150,863	2,750,001
Short term borrowings	15,079	1,929
Notes payable	114,695	157,596
Interest expense	4,880,782	5,782,827
Net Interest Income	5,155,970	5,279,461
Provision for loan losses	123,000	75,000
Net interest income after provision for loan losses	5,032,970	5,204,461
Other Income:		
Banking services and other	999,010	757,879
Trust services	383,920	328,277
Net securities gains	1,462,338	1,998,453
Other income	2,845,268	3,084,609
Other Expense:		
Salaries, profit sharing and other employee benefits	2,198,633	2,330,922
Occupancy	457,235	414,420
Amortization of goodwill and other intangibles	418,580	411,824
Other expenses	1,588,722	1,280,874
Other expense	4,663,170	4,438,040
Income before income taxes and minority interest	3,215,068	3,851,030
Provision for income taxes	523,000	934,000
Minority interest in subsidiaries	11,237	25,774
Net Income	$ 2,680,831	$ 2,891,256
Weighted average number of common and common equivalent shares outstanding:		
Primary	4,609,894	4,766,979
Fully diluted	4,610,428	4,768,340
Earnings per share:		
Primary	$ 0.58	$ 0.61
Fully diluted	0.58	0.61

Consolidated STATEMENTS OF CASH FLOWS (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

	For the three months ended March 31 1992	 1991
Cash flows from operating activities:		
Net income	$ 2,680,831	$ 2,891,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	182,469	156,928
Amortization of goodwill and other intangibles	418,580	411,824
Amortization of purchase accounting adjustments	101,756	36,265
Provision for loan losses	123,000	75,000
Increase (decrease) in deferred loan fees	(23,562)	(13,655)
Gain on sale of investment securities	(1,462,338)	(1,998,453)
Decrease (increase) in interest receivable	(1,518,925)	6,246
Increase (decrease) in interest payable	(778,320)	(52,987)
Decrease (increase) in other assets	(1,781,535)	(182,064)
Increase (decrease) in other liabilities	(717,279)	421,243
Other, net	283,414	(654,177)
Total adjustments	(5,172,740)	(1,793,830)
Net cash provided by (used for) operating activities	(2,491,909)	1,097,426
Cash flows from investing activities:		
Cash portion of acquisitions, net of cash acquired (NOTE)	82,951,809	10,591,134
Proceeds from sales of investment securities	77,575,539	46,409,057
Proceeds from maturities and paydowns of investment securities	6,286,939	5,759,381
Purchase of investment securities	(178,713,517)	(40,054,741)
Net decrease (increase) in interest bearing deposits	7,173,000	(16,133,000)
Net loan principal (advanced) collected	9,036,781	13,467,118
Premises and equipment expenditures	(70,865)	(132,896)
Net cash provided by (used for) investing activities	4,239,686	19,906,053
Cash flows from financing activities:		
Net increase (decrease) in total deposits	10,466,214	10,611,100
Net increase (decrease) in short term borrowings	7,644	(17,587,350)
Proceeds from notes payable	9,050,000	13,762,750
Principal reductions of notes payable	(2,100,000)	(600,000)
Issuance of common stock	0	1,000
Purchase and retirement of common stock	(658,223)	(3,547,664)
Dividends paid	(1,015,315)	(960,642)
Net cash provided for (used for) financing activities	15,750,320	1,679,194

(Continued)

Consolidated STATEMENTS OF CASH FLOWS (UNAUDITED)
PINNACLE BANC GROUP, INC. and Subsidiaries

(Continued)	For the three months ended March 31 1992	 1991
Net increase (decrease) in cash and cash equivalents	$ 17,498,097	$ 22,682,673
Cash and cash equivalents at beginning of period	33,088,500	50,659,499
Cash and cash equivalents at end of period	$ 50,586,597	$ 73,342,172
Cash paid during period for:		
Interest	$ 5,669,626	$ 5,865,309
Income taxes	656,000	140,635

NOTE: Berwyn National Bank and its affiliate Cermak Oak Park Safety Vault Company were purchased by Pinnacle for $10,301,766 in cash on February 1, 1991. At the date of purchase, the balance sheet of Berwyn included cash and cash equivalents of $19,751,894 resulting in a net cash position of $9,450,128.

The Henry County Bank was purchased by Pinnacle for $3,461,822 in cash on March 27, 1991. At the date of purchase, the balance sheet of Henry County included cash and cash equivalents of $4,602,828 resulting in a net cash position of $1,141,006.

On March 27, 1992, certain assets were purchased and certain liabilities were assumed from the Berwyn branch of Olympic Federal Savings Association in a transaction with the Resolution Trust Corporation. On the date of the transaction, the total cash acquired less the cash paid to the Resolution Trust Corporation amounted to $82,951,809.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net Income - Three Months Ended March 31, 1992 and 1991

Consolidated net income was $2,681,000, or $0.58 per share, on a fully diluted basis for the three months ended March 31, 1992 (the "first quarter"), a per share decrease of 5% from the $2,891,000, or $0.61 per share earned in the first three months of 1991. The annualized return on average assets was 1.84% for the first three months of 1992 and 2.18% for the first three months of 1991. For each period, the return on average equity was 18.8% and 21.5%, respectively. The primary factor contributing to the decrease in earnings was the fact that net gains on the sale of investment securities were $536,000 higher in the first quarter of 1991 than the first quarter of 1992. In addition, net interest income declined $123,000 and other operating expenses increased $225,000. These items were offset by an increase in other operating income, not including net securities gains, of $297,000 and a decrease in the provision for income taxes of $411,000.

The results for the three months ended March 31, 1992 reflect the acquisition of Berwyn by Pinnacle on February 1, 1991 and of Henry County on March 27, 1991. Each transaction was accounted for as a purchase, and as such Berwyn and Henry County's results are included from the date of each acquisition. Included in the income statement for Berwyn for the three months ended March 31, 1992 is net income of $445,000 compared to a net loss of $65,000 for the first quarter of 1991. Henry County had net income of $155,000 for the first quarter of 1992. Net income for Berwyn and Henry County includes the effect of purchase accounting adjustments. The results also include the purchase of certain assets and assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992. Because of the date of the transaction, the effect on net income was minimal.

Net Interest Income

The primary component of Pinnacle's consolidated earnings is net interest income, or the difference between interest income on earning assets and interest paid on supporting liabilities. The net interest margin is net interest income expressed as a percentage of average earning assets. Pinnacle's earning assets consist of loans, investment securities, interest bearing deposits at financial institutions and Federal funds sold. Supporting liabilities primarily consist of deposits, Federal funds purchased and Pinnacle's note payable. A portion of Pinnacle's interest income is earned on tax exempt investments such as state and municipal bonds. In an effort to state this tax exempt income and its resultant yields on a basis comparable to all other taxable investments, an adjustment is made to analyze this income on a taxable equivalent basis.

During the first three months of 1992, Pinnacle's average earning assets were $536,229,000, or 10% higher than the comparable period of the previous year. The increase in average earning assets was entirely due to the acquisitions. The net interest margin for the first three months of 1992 was 4.20% compared to 4.77% for 1991. The decline in the net interest margin was the result of a generally lower level of interest rates on a period-to-period comparative basis which compressed interest margins between earning assets and supporting liabilities. Net interest income on a fully taxable equivalent basis was $5,626,000 for the first three months of 1992, or 3% lower than the comparable period in 1991. Actual net interest income decreased 2%.

The effect of the decline in the net interest margin was partially offset by the increase in the volume of earning assets. The lower net interest margin reduced net interest income on a fully taxable equivalent basis by $698,000 while the increase in earning assets contributed additional net interest income of $509,000 for a net decrease of $189,000.

The yield earned on total earning assets was 7.84% for the first three months of 1992 compared to 9.51% for the same period of 1991. The largest decline was in short term investments comprised of interest bearing deposits at financial institutions and Federal funds sold which yielded 4.94% in 1992 versus 7.12% in 1991. The yield earned on taxable investment securities declined to 6.53% from 8.48%. These declines resulted from a generally lower level of interest rates in the first quarter of 1992 than in the first quarter of 1991. Despite the similar decline in yields earned on taxable investment securities, the spread between these types of investments and short-term investments dictated a shift in funds between these categories. Short-term investments declined $26 million on an average balance basis in the first quarter of 1992 compared with the same quarter of 1991. These funds were reinvested in taxable securities to take advantage of the higher yields. In addition to the funds shifted from short-term investments, the average balance of taxable investment securities increased $59 million on a comparative basis as a result of the balance sheet structures of the acquired banks which had minimal amounts of loans. The average rate earned on loans was down 124 basis points. The average volume of loans decreased approximately 3% on a comparative basis. The effect of these declines related to loans was a decrease in interest income of $762,000. Total interest income declined $1,091,000 with the negative effect of the decline in yields exceeding the positive effect of the increase in earning assets.

The average cost of interest bearing liabilities declined 130 basis points to 4.42% from the 5.72% paid in the first three months of 1991. The average rate paid on interest-bearing demand deposits and savings deposits declined 100 basis points as Pinnacle took action in the first quarter of 1992 to adjust the rates paid on these accounts in order to bring these accounts in line with market rates. The average rate paid on other time deposits was down 141 basis points. The mix of deposits remained approximately the same on a period-to-period comparable basis with interest-bearing demand deposits and savings deposits comprising approximately 50% of total interest-bearing liabilities. As a result of the decline in rates paid, total interest expense was $902,000 lower in the first three months of 1992 compared with the same period of 1991.

A detailed Analysis of Net Interest Income for the three month periods ended March 31, 1992 and 1991 is included on pages 15 and 16.

Provision for Loan Losses

Management records a provision for loan losses in an amount sufficient to maintain the allowance for loan losses at a level commensurate with the risks in the loan portfolio. The allowance for loan losses is adjusted through charges to current income based on factors such as past loan loss experience, management's evaluation of potential losses in the loan portfolio, and prevailing economic conditions.

The provision for loan losses was $123,000 for the first three months of 1992 compared to $75,000 for the same three months in 1991 Pinnacle had net charge-offs of $12,000 in 1992 compared to net recoveries of $4,000 in 1991.

The allowance for loan losses was $2,628,000, or 1.41% of loans, at March 31, 1992, compared to 1.28% of loans at year end 1991. Non-performing loans defined as non-accrual loans, loans past due greater than 90 days and still accruing and restructured loans, were $3,848,000, or 2.06% of loans, at March 31, 1992 compared to $7,636,000, or 3.90% of loans, at December 31, 1991.

The decrease in Pinnacle's non-performing loan ratio resulted from improvement in two large credits. Both loans have been brought current by the borrowers and each borrower has a plan in place to meet the requirements of the loan. Notwithstanding the improvement in non-performing loans, management remains focused on the quality of the loan portfolio, especially in light of the current unsettled economic environment.

Total non-performing assets were only 0.54% of assets at March 31, 1992, primarily because Pinnacle's loan portfolio comprises only 26% of its total assets and because Pinnacle's other real estate owned amounted to $86,000. Management is of the opinion that the allowance for loan losses is adequate at its current level.

Non-Interest Income and Expense

Pinnacle receives non-interest income from several sources with service charges on deposit accounts and trust fees as the major components. Fees on banking services and other income were $999,000 for the three months ended March 31, 1992 compared to $758,000 in the same period of 1991, an increase of 32% with more than half of the increase the result of the Berwyn and Henry County acquisitions, and the remaining portion resulting from a general increase in service fee prices. Trust fees also increased 17% on a period-to-period comparable basis. Total trust assets under management amounted to $142 million at March 31, 1992, or 20% above the total one year earlier.

Net gains on the sales of investment securities were $1,462,000 in the first quarter of 1992 compared to net gains of $1,998,000 in the same period of 1991. In 1991, net gains of $1,709,000 were recorded on the sale of equity securities held as part of Pinnacle's equity investment program in other financial institutions. These sales represented the entire disposition of three equity issues held by Pinnacle and almost all of the sales were made in response to the unsettled market conditions which were evident in January, 1991. The sales also were made as a result of management's desire to dispose of Pinnacle's investment in these particular issues and the cost of acquisition debt relating to the Berwyn and Henry County acquisitions which could be reduced with the proceeds of the sales.

The net securities gains of $1,462,000 recorded in the first three months of 1992 and $316,000 of net gains in the first three months of 1991 were recorded as the result of sales of term taxable investment securities which had been held in excess of one year. These sales were undertaken to provide funds for reinvestment in taxable securities with maturities of one to two years longer than the securities sold as dictated by portfolio strategy relating to average term.

The primary purpose of the term taxable investment securities strategy is to take advantage of the slope in the yield curve. Term taxable investment securities consist of U.S. Treasury and U.S. Government agencies. During the first quarter of 1992, the average maturity of these securities was approximately three years. Additionally, the strategy is set in place to protect Pinnacle in a period of declining interest rates when its net interest margin will be narrowed as is currently evident. As a result, management views the net gains recorded on this program as closely related to its net interest income as opposed to one-time items. Conversely, the opposite should occur in a period of increasing interest rates. Pinnacle's net interest margin would generally increase with a portion of this increase offset by net securities losses from the term portfolio strategy. At March 31, 1992, the term taxable investment securities portfolio had total net unrealized gains of approximately $205,000.

Non-interest expense increased 5% for the first three months of 1992 compared to the same period last year. Employee compensation and benefits decreased 6% with the decrease resulting from the fact that an accrual for a stock appreciation right in the amount of $184,000 was made in the first quarter of 1991. Without this accrual, employee costs would have increased 2%. Occupancy expense increased 10% reflecting the Berwyn and Henry County acquisitions. Other general expenses were up 24%. The acquisitions accounted for two-thirds of the increase and an 18% increase in FDIC insurance assessment fees was a significant contributor to the remaining increase.

Income Taxes

Pinnacle's Federal income tax return is prepared on a consolidated basis including the accounts of its subsidiary banks.

The provision for income taxes was $523,000 for the first three months of 1992 compared with $934,000 for the first three months of 1991. Pinnacle's federal income tax liability for each of the comparable periods was an alternative minimum tax liability. The higher provision for taxes in the first quarter of 1991 was the result of higher pre-tax income and a larger provision for state income taxes. The state tax provision for 1992 was lower than the comparable quarter due to the increase in and the mix of term taxable investment securities which include U.S. Treasury securities which are exempt from state taxes.

In February, 1992, the FASB released SFAS No. 109, "Accounting for Income Taxes", which modifies the provisions of SFAS No. 96. The Company will be required to adopt the provisions of this statement no later than 1993. Due to its recent release, the potential impact of this statement on the Company's financial position and results of operations has not yet been determined.

Balance Sheet

The balance sheet of Pinnacle at March 31, 1992 reflects the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association ("Olympic") from the Resolution Trust Corporation on March 27, 1992. The total liabilities assumed, consisting almost entirely of deposits, amounted to $131 million. Total assets purchased consisted of $92 million in cash and $44 million of U.S. Treasury securities. The majority of the securities purchased were sold and along with the cash acquired, these funds were invested in term taxable investment securities with maturities of two to four years. A premium of $3,409,000 was paid to the Resolution Trust Corporation. The premium is to be amortized over ten years and is included in goodwill and other intangibles. Management anticipates a level of deposit run-off after the completion of the transaction as is characteristic in these types of deposit transactions. A reduction in acquired deposits of 20% would not be unexpected. Funds to pay these withdrawals would come from Federal funds sold and sales of term taxable investment securities as is necessary.

Total consolidated assets were $728,168,000 at March 31, 1992, or 25% higher than year end 1991 with all of the increase due to the acquisition. Pinnacle's portfolio funds, defined as Federal funds sold, interest bearing deposits at financial institutions and investment securities, increased $144 million with the increase resulting from the Olympic acquisition. The increase in portfolio funds consisted of an increase in U.S. Treasury and U.S. Government agency securities with maturities of two to four years.

Total loans amounted to $186,910,000 at March 31, 1992, or 5% lower than year end 1991. Most of the decline took place in the commercial loan portfolio due to generally weaker loan demand evident over the past fifteen months. At March 31, 1992, 44% of loans were commercial, real estate loans amounted to 34%, and installment loans were 22% of total loans. Pinnacle is directing its focus to consumer real estate and installment loans and expects the relative percentage of these loans to total loans to increase over the remainder of 1992.

Goodwill and other intangibles amounted to $12,238,000, or 21% of stockholders' equity at March 31, 1992. The increase in goodwill was the result of the acquisition with the premium of $3,409,000 paid to the Resolution Trust Corporation for the Olympic acquisition included in goodwill and other intangibles at quarter-end.

Total deposits were $649,671,000 at March 31, 1992, or 28% higher than year end 1991 with the increase resulting from the Olympic acquisition. The deposits assumed in the transaction did not materially change the mix of Pinnacle's deposit structure. At March 31, 1992, the percentage of total deposits for each category were: non-interest bearing deposits, 12%; interest-bearing demand deposits, 14%; savings accounts, 37%; and other time deposits, 37%. Management anticipates a level of deposit run-off from the acquisition in the range of 20% of the deposits acquired. Pinnacle's note payable was $14,350,000 at March 31, 1992 representing an increase of $6,950,000 from year-end 1991. The increase was the result of debt incurred to complete the Olympic acquisition including a capital infusion of $5,750,000 into a Pinnacle subsidiary in order to meet capital requirements as necessitated by an increase in assets due to the Olympic acquisition which was effected by the subsidiary bank.

Capital Resources

Total stockholders' equity of Pinnacle was $57,926,000 at March 31, 1992 and $56,919,000 at December 31, 1991. The ratio of equity to assets was 7.96% and 9.81% at each period end, respectively.

The Federal Reserve Board ("Board") has established the Leverage Capital Ratio with a minimum level of Tier One capital to total assets of 3.00%. Tier One capital consists of common stock, surplus, retained earnings and minority interest in subsidiaries, and is exclusive of Pinnacle's allowance for loan losses, goodwill and other intangibles. As of March 31, 1992 and December 31, 1991, Pinnacle's Leverage Capital Ratio amounted to 6.40% and 8.37%, respectively. In addition, the Board has issued Risk-Based Capital Guidelines with a minimum standard of total regulatory capital to weighted risk assets of 7.25% presently and 8.00% to be attained by year end 1992. The structure of Pinnacle's balance sheet results in a Risk-Based Capital Ratio significantly in excess of the guidelines. At March 31, 1992, and December 31, 1991, Pinnacle's ratio was 19.48% and 19.74%, respectively, assuming the deduction of all goodwill and other intangibles in compliance with the year-end 1992 guidelines. The reduction in the leverage and risked-based capital ratios was the result of the Olympic acquisition. The following table provides an analysis of the minimum capital requirements and the excess over the minimum which Pinnacle holds as capital.

	Minimum Required Ratio*	Minimum Required Amount	Actual Amount	Excess over Minimum
Leverage Capital........	3.00%	$21,478	$45,828	$24,350
Risk-based Capital:				
Tier One..............	4.00	9,948	45,828	35,880
Total (Tier Two)......	8.00	19,896	48,455	28,559

* December 31, 1992 requirements.

In addition, each of Pinnacle's subsidiary banks must meet similar minimum capital requirements as prescribed by Federal and state banking regulatory authorities. At March 31, 1992, Pinnacle and each of its subsidiary banks is in compliance with the current and prospective capital guidelines.

Book value per share was $12.64 at March 31, 1992 compared to $12.33 at December 31, 1991. During the first three months of 1992, Pinnacle repurchased 33,540 shares of its common stock at market prices in privately negotiated transactions. Dividends amounting to $.22 per share were paid in the first three months of 1992.

Liquidity

As characteristic of the banking industry, Pinnacle's indicators of liquidity are principally its deposit base, loan and investment portfolios. On a short term basis, adjustments are made in these categories based on deposit fluctuations and loan demand. Longer term, liquidity is determined by growth objectives, rate pricing policies and the ability to borrow debt or raise equity. In general, Pinnacle is able to meet deposit withdrawals and to fund loan demand through earnings and the maturity or sale of investment securities. Pinnacle would also be able to respond to short term cash flow needs through short term borrowings. On a longer term basis, Pinnacle has the ability to incur debt or to raise equity through the sale of preferred or common stock.

Pinnacle's cash flows are comprised of three general types. Cash flows from operating activities are primarily Pinnacle's net income. Cash flows from investing activities consist of loans made to and collected from customers; and purchases, sales and maturities of investment securities. Cash flows from financing activities are determined by Pinnacle's deposit base and from Pinnacle's ability to borrow and repay debt and issue or repurchase stock. For the three months ended March 31, 1992, Pinnacle's most significant cash flow item was the $83 million in net cash received in the Olympic acquisition. In addition, cash flows were generated from earnings, a $7 million decrease in interest-bearing deposits at financial institutions, a $9 million decrease in loans, a $10 million increase in deposits, and a $7 million increase in Pinnacle's note payable. Cash flow uses and needs included $95 million in net purchases of investment securities and $1.7 million to pay dividends and repurchase common stock. Pinnacle's net cash position increased $17 million with almost all of the increase in Federal funds sold.

Pinnacle's subsidiary banks have a relatively stable base of deposits and any increased loan demand can be sufficiently funded without a material change in its balance sheet. Management believes that there will be a deposit run-off of approximately 20% of the deposits assumed in the Olympic transaction. Funds to pay these deposits will come from Federal funds sold and a sale of investment securities if necessary. Pinnacle's corporate strategy includes profitable acquisitions. These acquisitions would be primarily funded with debt. Reductions of debt would be made from Pinnacle's earnings.

Regulatory requirements exist which influence Pinnacle's liquidity and cash flow needs. These requirements include the maintenance of satisfactory capital ratios on a consolidated and subsidiary bank basis, restrictions on the amount of dividends which a subsidiary bank may pay and reserve requirements with the Federal Reserve Bank. Based on these restrictions, at April 1, 1992 and January 1, 1992, bank subsidiaries could have declared approximately $2,843,000 and $1,747,000, respectively, in dividends without requesting approval of the applicable Federal or State regulatory agency. In addition, Pinnacle has made loan commitments which could result in increased cash flow requirements for loans. Management is of the opinion that these regulatory requirements and loan commitments will not have a significant impact on the liquidity of Pinnacle. Management had no significant commitments for capital expenditures at March 31, 1992 or December 31, 1991 with the exception of the proposed purchase of Batavia Financial Corporation for approximately $5.8 million in cash which is subject to the execution of a definitive agreement and obtaining the necessary regulatory and shareholder approvals.

ANALYSIS OF NET INTEREST INCOME
PINNACLE BANC GROUP, INC. and Subsidiaries

(Dollars in thousands)

	Three months ended March 31, 1992		
	Average Balance	Interest	Rate
Assets:			
Interest earning assets:			
Interest bearing deposits and federal funds sold........	$ 40,858	$ 505	4.94 %
Taxable investment securities..	262,124	4,278	6.53
Non taxable investment securities	41,976	1,304	12.43
Loans........................	191,271	4,420	9.24
Total interest earning assets	536,229	10,507	7.84
Non interest earning assets:			
Cash and due from banks........	19,958		
Allowance for loan losses......	(2,567)		
Other assets..................	28,660		
Total assets................	$582,280		
Liabilities and stockholders' equity:			
Interest bearing liabilities:			
Interest bearing demand deposits	$ 65,208	$ 485	2.98 %
Savings deposits..............	156,511	1,662	4.25
Money market deposits..........	49,634	453	3.65
Other time deposits............	161,766	2,151	5.32
Short term borrowings..........	1,218	15	4.93
Note payable..................	7,345	115	6.26
Total interest bearing liabilities................	441,682	4,881	4.42
Non interest bearing liabilities:			
Demand deposits...............	77,727		
Other liabilities.............	5,655		
Minority interest.............	134		
Stockholders' equity..........	57,082		
Total liabilities and stockholders' equity........	$582,280		
Net interest income and margin.....		$ 5,626	4.20 %

Interest income is adjusted to taxable equivalents for the tax-exempt assets based upon a federal income tax rate of 34% for 1992. The fully taxable equivalent adjustment to interest income for the three months ended March 31, 1992 was, in thousands, $470. The average balance of non accrual loans is included in the total loan category.

ANALYSIS OF NET INTEREST INCOME
PINNACLE BANC GROUP, INC. and Subsidiaries

(Dollars in thousands)

	Three months ended March 31, 1991		
	Average Balance	Interest	Rate
Assets:			
Interest earning assets:			
Interest bearing deposits and federal funds sold........	$ 66,942	$ 1,192	7.12 %
Taxable investment securities..	176,797	3,750	8.48
Non taxable investment securities	46,209	1,474	12.76
Loans........................	197,815	5,182	10.48
Total interest earning assets	$487,763	$11,598	9.51 %
Non interest earning assets:			
Cash and due from banks........	19,561		
Allowance for loan losses......	(2,690)		
Other assets..................	25,171		
Total assets................	$529,805		
Liabilities and stockholders' equity:			
Interest bearing liabilities:			
Interest bearing demand deposits	$ 62,140	$ 656	4.22 %
Savings deposits...............	124,883	1,621	5.19
Money market deposits..........	46,541	596	5.12
Other time deposits............	163,550	2,750	6.73
Short term borrowings..........	0	2	N/M
Note payable..................	7,017	158	9.01
Total interest bearing liabilities.................	$404,131	$ 5,783	5.72 %
Non interest bearing liabilities:			
Demand deposits................	65,582		
Other liabilities..............	6,197		
Minority interest..............	171		
Stockholders' equity...........	53,724		
Total liabilities and stockholders' equity........	$529,805		
Net interest income and margin.....		$ 5,815	4.77 %

Interest income is adjusted to taxable equivalents for the tax-exempt assets based upon a federal income tax rate of 34% for 1991. The fully taxable equivalent adjustment to interest income for the three months ended March 31, 1991 was, in thousands $536. The average balance of non accrual loans is included in the total loan category.

PART II - OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

At the Annual Meeting of Pinnacle held on April 14, 1992, all of the proposed Directors listed in the Proxy Statement were elected. Mssrs. Richard W. Burke, Mark P. Burns, William J. Finn, Jr., Samuel M. Gilman, John J. Gleason, John J. Gleason, Jr., Albert Giusfredi, James L. Greene, Donald G. King, James A. Maddock, James J. McDonough, William C. Nickels, James R. Phillip, Jr. and Kenneth C. Whitener, Jr. received votes totaling 3,703,075 shares, or 80.8% of the outstanding shares, FOR and none AGAINST. Each of the directors was elected for a term of one year. Each director served as a director in the year prior to the Annual Meeting. No other items were voted on at the Annual Meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following exhibit is filed as part of this Form 10-Q.

Exhibit Number	Description No. Under Item 601 of Regulation S-K	Exhibit Description
1	(20)	Report furnished to securities holders. First Quarter Report.

(b) A report on Form 8-K dated April 10, 1992 was filed by Pinnacle to report the purchase of certain assets and the assumption of certain liabilities of the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation on March 27, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PINNACLE BANC GROUP, INC.

Dated: May 14, 1992

By: ______________________

John J. Gleason, Jr.
Director, Vice Chairman
and Treasurer

By: ______________________

William P. Gleason
Principal Financial Officer
Principal Accounting Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

EXHIBITS
TO
FORM 10-Q

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

PINNACLE BANC GROUP, INC.

(Exact name of registrant as specified in its charter)

EXHIBIT 1. REPORT FURNISHED TO SECURITIES HOLDERS.

Corporate Information

Corporate Headquarters

2211 York Road, Suite 502
Oak Brook, Illinois 60521
(708) 574-3550

Subsidiary Banks

First National Bank of Cicero
First National Bank in Harvey
Bank of Silvis
Berwyn National Bank
Bank of La Grange Park
The Henry County Bank

Common Stock

Common stock is traded on NASDAQ with the ticker symbol "PINN" and listed with the abbreviation "PinBGp"

Principal Market Makers

The Chicago Corporation
Stifel, Nicolaus & Company

PINNACLE
BANC GROUP, INC

PINNACLE
BANC GROUP, INC

FIRST QUARTER REPORT

March 31, 1992

Financial Highlights

(Unaudited; in thousands except per share data)	For the three months ended March 31		
	1992	1991	Change
For the Period:			
Net income	$ 2,681	$ 2,891	− 7%
Return on average equity	18.8%	21.5%	
Return on average assets	1.84	2.18	
Per Share:			
Net income—fully diluted	$ 0.58	$ 0.61	− 5
Dividends	0.22	0.20	+10
Book value	12.64	11.41	+11
At March 31:			
Total Assets	$728,168	$590,643	+23
Loans	186,910	206,672	−10
Deposits	649,671	516,869	+26
Stockholders' equity	57,926	52,927	+ 9

Letter to Shareholders

Dear Shareholder.

In the first quarter. Pinnacle successfully completed another step in its efforts to expand through acquisitions. On March 27, a Pinnacle subsidiary bank. First National Bank of Cicero. purchased the Berwyn branch of Olympic Federal Savings Association from the Resolution Trust Corporation. At the date of purchase. the Berwyn branch had total deposits of $129 million. Based on historical data of similar type transactions. Pinnacle anticipates a level of deposit loss from the acquired branch. However, the net result will be the addition of core deposits consistent with the market areas currently served by Pinnacle banks. With the acquisition, total consolidated assets of Pinnacle were $728 million at March 31, 1992.

Net income for the first quarter of 1992 was $2,681,000, or $.58 per share on a fully diluted basis, a decrease of 5% on a per share basis compared with net income of $2,891,000, or $.61 per share earned in the first quarter of 1991. Pinnacle's return on average equity was 18.8% and the return on average assets was 1.84% for the first quarter of 1992.

The decrease in earnings was primarily the result of the fact that net gains on the sale of equity securities were recorded in the first quarter of 1991 while none were recorded in 1992. Net interest income declined 2%; however, changes were made in the rates paid on core deposits in the first quarter of 1992 which resulted in an improvement in Pinnacle's net interest margin from the fourth quarter of 1991. Other operating expenses were up 5% on a comparative basis with the first quarter of 1991.

Pinnacle's non-performing loans totalled $3,848,000, or 2.06% of total loans at March 31, 1992 compared to $7,636,000, or 3.90% of total loans at December 31, 1991. While the ratio indicates considerable improvement, management remains focused on the quality of the portfolio and continues to monitor problem credits closely.

At the Board of Directors' Meeting on April 14, 1992, the Board declared a dividend of $.22 per share payable May 7 to shareholders of record as of April 27.

Sincerely,

John J. Gleason

John J. Gleason
Chairman

Consolidated BALANCE SHEETS

PINNACLE BANC GROUP, INC. and Subsidiaries

(Unaudited; in thousands)	March 31 1992	December 31 1991	March 31 1991
Assets:			
Cash and due from banks	$ 28,698	$ 22,138	$ 29,067
Federal funds sold	21,889	10,950	44,275
Interest bearing deposits	19,542	26,465	46,259
Investment securities	439,253	299,329	237,744
Loans	186,910	195,940	206,672
Less: Allowance for loan losses	(2,628)	(2,516)	(2,967)
Net loans	**184,282**	**193,424**	**203,705**
Premises and equipment	9,695	9,865	8,333
Other assets	24,809	18,330	21,260
Total	**$728,168**	**$580,501**	**$590,643**
Liabilities:			
Demand deposits:			
Noninterest bearing	$ 77,094	$ 78,402	$ 72,269
Interest bearing	90,011	63,249	72,003
Savings deposits	242,086	204,144	193,310
Other time deposits	240,480	163,679	179,287
Total deposits	**649,671**	**509,474**	**516,869**
Short term borrowings	630	622	413
Notes payable	14,350	7,400	13,663
Other liabilities	5,452	5,944	6,608
Minority interest in subsidiaries	139	142	163
Total liabilities	**670,242**	**523,582**	**537,716**
Stockholders' equity:			
Common stock, $4.69 par value 20,000,000 shares authorized; shares issued and outstanding: 3/31/92—4,581,527 12/31/91—4,615,067 3/31/91—4,640,287	21,476	21,633	21,751
Surplus	17,087	17,087	17,023
Retained earnings	19,363	18,199	14,153
Total stockholders' equity	**57,926**	**56,919**	**52,927**
Total	**$728,168**	**$580,501**	**$590,643**

Consolidated STATEMENTS OF INCOME
PINNACLE BANC GROUP, INC. and Subsidiaries

(Unaudited; in thousands except per share data)	For the three months ended March 31	
	1992	1991
Interest income:		
Loans	$ 4,393	$ 5,147
Investment securities	5,139	4,723
Interest bearing deposits and federal funds sold	505	1,192
Interest income	**10,037**	**11,062**
Interest expense:		
Deposits	4,751	5,623
Short term borrowings	15	2
Notes payable	115	158
Interest expense	**4,881**	**5,783**
Net interest income	5,156	5,279
Provision for loan losses	123	75
Net interest income after provision for loan losses	**5,033**	**5,204**
Other income:		
Banking services and other	999	758
Trust services	384	328
Net securities gains	1,462	1,999
Other income	**2,845**	**3,085**
Other expense:		
Employee compensation and benefits	2,199	2,331
Occupancy	457	414
Other expenses	2,007	1,693
Other expense	**4,663**	**4,438**
Income before income taxes and minority interest	3,215	3,851
Provision for income taxes	523	934
Minority interest in subsidiaries	11	26
Net income	**$ 2,681**	**$ 2,891**
Weighted average number of common and common equivalent shares outstanding:		
Primary	4,610	4,767
Fully diluted	4,610	4,768
Earnings per share:		
Primary	$ 0.58	$ 0.61
Fully diluted	0.58	0.61

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

L92-2237

For Quarter Ended March 31, 1992 Commission File Number 0-11724

PROGRESSIVE BANCORPORATION, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA	72-097533
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Progressive Square
Houma, Louisiana 70360
(Address of principal executive offices, including Zip Code)

(504) 868-1770
(Registrant's telephone number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

Class	Outstanding at March 31, 1992
Common Stock ($.10 par value)	651,312 Shares

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PROGRESSIVE BANCORPORATION, INC.

FORM 10-Q

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PROGRESSIVE BANCORPORATION, INC.
CONSOLIDATED STATEMENTS OF CONDITION
Unaudited
(Dollars in thousands)

	March 31, 1992	December 31, 1991
ASSETS		
Cash and Due from Banks	$ 7,625	$ 7,494
Interest-Bearing Deposits in Banks	118	138
Investment Securities:		
U. S. Treasury & Government Agencies	40,776	43,619
State & Political Subdivisions	169	169
Other Securities	32	32
Total Investments	40,977	43,820
Federal Funds Sold	0	0
Loans, Net of Unearned Discount	64,066	58,316
Allowance for Loan Losses	1,571	1,553
Total Loans	62,495	56,763
Bank Premises and Equipment	2,451	2,482
Other Assets	3,272	3,405
Goodwill	819	849
TOTAL ASSETS	$ 117,757	$ 114,951
LIABILITIES		
Deposits:		
Demand Deposits	$ 15,324	14,657
Savings Deposits & NOW Accounts	30,488	29,709
Time Deposits	59,777	62,188
Total Deposits	105,589	106,554
Fed Fds Purchased/Repurchase Agmts	0	0
Notes Payable	6,530	6,530
Other Liabilities	7,371	3,893
TOTAL LIABILITIES	119,490	116,977
SHAREHOLDERS' EQUITY		
Preferred Stock	143	143
Common Stock	65	65
Capital Surplus	2,016	2,016
Undivided Profits (Deficit)	(3,957)	(4,250)
Treasury Stock	0	0
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	(1,733)	(2,026)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 117,757	$ 114,951

See accompanying notes to consolidated financial statements.

PROGRESSIVE BANCORPORATION, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
Unaudited
(Dollars in thousands)

	For the Three Months Ended March 31,	
	1992	1991
INTEREST INCOME:		
Interest and Fees on Loans	$ 1,615	$ 1,619
Interest on Securities:		
U. S. Government & Agencies	834	676
State & Political Subdivisions	3	25
Other Securities	5	18
Interest on Federal Funds Sold	2	24
Interest on Deposits with Banks	56	8
Total Interest Income	2,515	2,370
INTEREST EXPENSE:		
Interest on Deposits	1,187	1,351
Interest on Federal Funds Purchased	0	2
Other Interest Expense	111	147
Total Interest Expense	1,298	1,500
NET INTEREST INCOME	1,217	870
PROVISION FOR LOAN LOSSES	0	30
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,217	840
OTHER INCOME:		
Service Charge on Deposits Accounts	217	211
Other Charges, Commitments & Fees	114	84
Other Operating Income	48	45
Total Other Income	379	340
OTHER EXPENSES:		
Salaries and Benefits	405	373
Occupancy Expense	103	112
Other Operating Expenses	580	505
Total Other Expenses	1,088	990
INCOME BEFORE INCOME TAXES (LOSS)	508	190
PROVISION FOR INCOME TAXES	216	5
NET INCOME (LOSS)	$ 292	$ 185
EARNINGS (LOSS) PER COMMON SHARE	$ 0.38	$ 0.22

See accompanying notes to consolidated financial statements.

PROGRESSIVE BANCORPORATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Month Period Ended March 31, 1992

Unaudited
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$	292
Adjustments to reconcile net income to cash provided from operating activities:		
Writedowns of other real estate		110
Depreciation		56
Provision for loan losses		0
Amortization of goodwill		30
Amortization of premium on investments, net of accretion of discount on investments		15
Gains on sales of assets		(13)
Decrease in other assets, net		(340)
Increase in accrued liabilities		478
Net cash provided (used) by operating activities		628
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investment securities		3,843
Purchase of investment securities		(1,000)
Additions to property, net of retirements		(25)
Net increase in loans		(5,732)
Net increase in federal funds sold		0
Proceeds from sales of other real estate		362
Decrease in interest bearing deposits at banks		20
Increase in other borrowings		3000
Net cash provided (used) by investing activities		468
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in non-interest bearing demand deposits		667
Net increase in interest bearing deposits other than certificates of deposit		779
Net decrease in certificates of deposit		(2,411)
Decrease in repurchase agreements		0
Net cash provided (used) by financing activities		(965)
NET INCREASE IN CASH AND CASH EQUIVALENTS		131
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		7,494
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	7,625

PROGRESSIVE BANCORPORATION, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Month Period Ended March 31, 1991

Unaudited
(Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$	185
Adjustments to reconcile net income to cash provided from operating activities:		
Writedowns of other real estate		85
Depreciation		57
Provision for loan losses		30
Amortization of goodwill		30
Amortization of premium on investments, net of accretion of discount on investments		26
Gains on sales of assets		(3)
Decrease in other assets, net		155
Increase in accrued liabilities		114
Net cash provided (used) by operating activities		679
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investment securities		4,990
Purchase of investment securities		(4,572)
Additions to property, net of retirements		(6)
Net decrease in loans		1,673
Net increase in federal funds sold		(1,600)
Proceeds from sales of other real estate		84
Decrease in interest bearing deposits at banks		111
Net cash provided (used) by investing activities		680
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in non-interest bearing demand deposits		1,267
Net decrease in interest bearing deposits other than certificates of deposit		426
Net decrease in certificates of deposit		(1,829)
Decrease in repurchase agreements		(1,010)
		0
Net cash provided (used) by financing activities		(1,146)
NET DECREASE IN CASH AND CASH EQUIVALENTS		213
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4,735
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	4,948

PROGRESSIVE BANCORPORATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reference is made to the Notes to the consolidated financial statements included in Progressive Bancorporation, Inc.'s Securities and Exchange Commission filing on Form 10-K for the year ended December 31, 1991 commission file #0-11724.

2. In the opinion of management of Progressive Bancorporation, Inc. ("Company"), the accompanying unaudited consolidated financial statements contain all adjustments (which consisted of only normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 1992 and December 31, 1991, the results of operations for the three months ended March 31, 1992 and 1991 and the cash flow for the three month period ended March 31, 1992 and 1991.

3. The weighted average number of common shares outstanding at March 31, 1992 and December 31, 1991 used in the per share calculation was 651,312 for both periods. Net income for the periods was reduced by a proportionate amount of unpaid cumulative preferred dividends, using $1.25 per annum per share as a basis. The unpaid dividends were $44,673 for the both period end calculations.

4. On March 8, 1984, the Company entered into a loan agreement to borrow up to $8,076,225 at the First Interstate Bank of Texas, N.A., ("First Interstate"), (formerly Allied Bank of Texas) Prime Rate, floating daily. On that date the Company borrowed $6,699,747. The terms of the loan agreement specify that interest is to be paid semi-annually for the first 18 months, with principal repayment to begin after the initial 18 months, for a period of 11 1/2 years. The Company continues to have a substantial liquidity problem and remains in default to its primary lender as discussed in Notes 1 and 7 of "Managements's Discussion and Analysis of Financial Condition and Results of Operations" on the Company's form 10-K dated December 1991. The Company is actively pursuing restructuring negotiations with potential investors and First Interstate to restructure or repay the Company's indebtedness to First Interstate. However, no assurance can be given at this time that a restructure of the loan will be worked out.

   Substantially all of the Company's debt is covered by loan agreements which provide that the Company and its subsudiary ("Bank") must maintain minimum financial ratios, not make other substantial investments and divest themselves of any material portion of the business. The loan agreement also restricts the payment of dividends by the Company and the acquisition of its own stock. At March 31, 1992 the Company was not in compliance with certain covenants of such loan agreement.

PROGRESSIVE BANCORPORATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unaudited

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and earnings during the periods included in the accompanying consolidated statements of income (loss).

CAPITAL

The capital ratio of the Bank, which is the ratio monitored by the regulators, pursuant to the Bank's Memorandum of Understanding (discussed below), was 7.29% as of March 31, 1992 compared to 7.02% as of March 31, 1991. The Bank's leverage ratio for March 31, 1991 and March 31, 1992 was 5.59% and 6.18% respectively. The risk-based capital ratio for the Bank was 10.29% at March 31, 1991 and 11.31% at March 31, 1992. The consolidated capital ratio of the Company including reserves was (.15%) as of March 31, 1992 compared to (.32%) as of March 31, 1991.

Reference to the Company's December 31, 1991, 10-K filing indicates Bank earnings of approximately $1,307,000 for the year 1991. For the quarter ended March 31, 1992 the Bank recorded earnings of approximately $427,000. Although these earnings had a positive impact on the Company's deteriorated equity position, monthly amortization of goodwill and accrual of interest payable continue adding to the Company's shareholder's equity deficit. The Company's ability to service its debt requirements is entirely dependent upon receipt of dividends from the Bank. Regulatory requirements requiring maintenance of sufficient capital prohibits the Bank from paying dividends to the Company without prior regulatory approval. Therefore, the Company is unable to make payments of principal and interest to its primary lender and to a group of previous shareholders of the Bank (Seven Oaks Partners). Although demand has been made by the primary lender, management and representatives of the lenders have been involved in periodic discussions as to the possible alternatives to resolve the debt default issue. Subsequent to the March 31, 1992 reporting period, but prior to this filing, the Company has engaged in active negotiations with an investor group which would lend the Company the funds necessary to settle its outstanding debt to its lender. No final agreement has been reached as of this filing.

The Company continues actively pursuing alternative methods to solve its capital problems. However, any such proposal would need the cooperation of its existing creditors. Current market conditions, existing margins and continued servicing of its non-performing asset portfolio limits the level of debt the Company can handle.

PROGRESSIVE BANCORPORATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unaudited

As a result of an examination of the Bank by the Federal Deposit Insurance Corporation ("FDIC") as of August 19, 1989, on January 25, 1990 the Board of Directors entered into a Memorandum of Understanding ("MOU") with the FDIC. The MOU is an informal agreement pursuant to which the Bank and the FDIC have agreed on certain management goals to be achieved and certain corrective actions to be taken by the Bank within given time frames. At March 31, 1992, the Bank remains in full compliance with the MOU and has reached an agreement with the FDIC on all time frames.

A summary of the period-to-period changes in the principal components of the statements of income(loss) as of March 31, 1992 and 1991, respectively, is shown:

(Dollars in thousands)	Three Months Ended March 31, 1992 and 1991 Increase (Decrease)	
Interest Income.............	$145	6.12%
Interest Expense............	$202	13.46%
Provision for Posssible Loan Losses...............	$ 18	1.16%
Other Income................	$ 39	11.47%
Other Expenses..............	$137	13.84%
Income Before Income Taxes..	$138	167.37%
Provision for Income Taxes..	$211	422.00%
Income from Operations......	$107	57.84%

PROGRESSIVE BANCORPORATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unaudited

INTEREST INCOME AND EXPENSE

Interest income at March 31, 1992 reflected an increase over interest income at March 31, 1991. At the Bank level, interest on securities issued by U.S. government agencies and interest bearing deposits showed significant increases due to growth in these investment categories. Fees on loans also reflect a substantial increase from the three months ended March 31, 1991 to the three months ended March 31, 1992, resulting from growth in the loan portfolio in the first quarter of 1992. Interest on loans showed a decline at March 31, 1992 despite the healthy growth in the loan portfolio because of lower interest rates in the first quarter of 1992 as compared to the same period in 1991. Non-accrual loans continue to shrink, reflecting a noteable decline from year end 1991. Interest expense on the Bank's deposits reflects a tremendous decrease for the first quarter of 1992 as compared to the same period in 1991, as a result of significantly lower rates paid on customer deposits. Market rates of interest on the Company's debt were also reduced; thus interest expense for the Company was lower during the three months ended March 31, 1992.

PROVISION FOR LOAN LOSSES

The provision for possible loan losses decreased $95,000 during the first three months of 1992 as compared to the same period in 1991. The Bank charges to operating expense an amount necessary to maintain the balance in the allowance for possible loan losses at a level that is deemed to be adequate to absorb all expected loan losses. Management determines the adequacy of its allowance and the amount of any additional provision for possible loan losses based on many factors, including an evaluation of historical loan loss experience in relation to outstanding loans, the existing level of the allowance, reviews of loan quality, loan growth, changes in the composition of the loan portfolio, general economic factors, the financial condition of the borrowers and their ability to repay the loan and the value and liquidity of collateral. The amount in the allowance for possible loan losses is reviewed by management on a monthly basis to determine whether additional provisions should be made or whether transfers from the allowance to earnings are justified.

A formal evaluation of the adequacy of the allowance for possible loan losses is done after consideration of the above noted factors. As of March 31, 1992, the allowance for possible loan losses was 2.45% of outstanding loans. Management continues its policy to charge off, on a current basis, loans or portions of loans it believes will not be paid. At present, management believes a surplus amount is included in the allowance for loan losses and that the allowance is sufficient to protect the Company against current risk of loss in the loan portfolio. Therefore, management intends not to provide additional provision to the allowance unless unforeseen events would warrant such action.

PROGRESSIVE BANCORPORATION, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unaudited

At March 31, 1992 and December 31, 1991 non-accrual loans and other real estate owned were as follows:

	March 31, 1992	December 31, 1991
	(Dollars in thousands)	
Non-accrual loans	$121	$174
Other real estate owned	$1,934	$2,057

Louisiana's economic conditions continue to hinder the Bank's progress in disposing of its non-performing asset portfolio.

NON INTEREST INCOME AND EXPENSE

Consolidated results of the first quarter 1992 reflect net income $292,000 as compared to the $185,000 in net income in the first quarter of 1991. As previously discussed, net interest income during the first quarter of 1992 improved over the first quarter of 1991, with changes in the size of the investment portfolio and short-term investments being contributing factors.

Other income for the Bank reflected a slight increase for the first three months of 1992 as compared to the first three months of 1991. Several income categories remained relatively stable. The primary cause of the increase is reflected by changes in two accounts. FNMA loan orgination fees increased by approximately $29,000 and service release premium increased by $13,000 for the first quarter of 1992 over the first quarter of 1991, reflecting increased volume in the Bank's secondary market division.

The Bank's non-interest expense increased by $98,000 for the first quarter of 1992 as compared to the same period in 1991. This increase reflects increases in the following categories: salaries and benefits of $32,000; FDIC assessment of $8,000; and write downs of ORE of $25,000. These increases were somewhat offset by a $33,000 decrease in data processing expense for the three months ended March 31, 1992 compared to March 31, 1991.

LIQUIDITY

The Bank monitors and manages liquidity through an Asset-Liability Committee. The Bank's liquidity ratio at the following periods between March 31, 1991 and March 31, 1992 was as follows:

March 31, 1991	36.90%
June 30, 1991	39.10%
September 30, 1991	41.91%
December 31, 1991	44.02%
March 31, 1992	45.77%

PROGRESSIVE BANCORPORATION, INC.

PART II OTHER INFORMATION

March 31, 1992

Item 1. Legal Proceedings

The Company is involved in various litigation which is routine to the nature of its business. Management believes that the probable resolution of these matters will not have any material adverse effect on these financial statements. See Form 10-K dated December 31, 1991.

Item 5. Other Information

FEDERAL RESERVE BANK OF ATLANTA

On February 3, 1992, an examination of the Company was performed by the Federal Reserve Bank of Atlanta ("FRB"), the Company's primary regulatory authority. In the subsequent report, the FRB, in view of the marginal condition of the Company, requested that the Company continue to file quarterly reports with the FRB. In addition, the Company must obtain the written approval of the FRB before incurring debt at the Holding Company level or declaring dividends, redeeming preferred stock or buying treasury stock. Lastly, management of the Company is required to provide the FRB with monthly progress reports concerning the resolution of defaulted debt with its creditors.

FEDERAL HOME LOAN BANK OF DALLAS, TEXAS

On February 18, 1992, the Bank was approved as a member of the Federal Home Loan Bank of Dallas, Texas (FHLB). A prerequisite of the approval process was for the Bank to purchase stock in this institution. Stock ownership allows the Bank access to FHLB's credit facilities which include short and long-term loans, letters of credit and various other credit facilities. The Bank has borrowed $3,000,000 (secured by its mortgage portfolio) to expand its first mortgage residential program in its trade area. The Bank intends to avail itself to the other services offered to members of the FHLB.

DIRECTOR LAING

On February 19, 1992, the Company's President and Director John H. Laing accepted the position of director of an affiliate bank and its holding company. The affiliate bank is First National Bank of Jefferson Parish and its holding company is First Continental Bancshares. Subsequent to his election, all regulatory authorities approved this election.

Item 6. Exhibits and reports on Form 8-K

Reports on Form 8-K - No reports on Form 8-K were required or filed during the quarter for which this report is filed.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Progressive Bancorporation, Inc.
Registrant

March 14, 1992
Date

John H Laing
John H. Laing
President, Director, CEO, and
Chief Financial Officer

March 14, 1992
Date

Elton A. Arceneaux
Director, Secretary, and Treasurer

March 14, 1992
Date

Susan B Snyder
Susan B. Snyder
Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

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(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 29, 1992

MGL 2233

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

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For the Transition period from _________ to _________

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Commission file number 33-8192

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REEVES INDUSTRIES, INC. /DE/
(Exact name of registrant as specified in its charter)

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Delaware	57-0735790
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
Highway 29 South Post Office Box 1898 Spartanburg, S. C.	29304
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (803) 576-1210

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ___

36,886,105 shares of $.01 par value common stock of the Registrant were outstanding at the close of business on April 30, 1992.

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REEVES INDUSTRIES, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEET
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands)

	December 31, 1991	March 29, 1992
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 20,992	$ 41,657
Receivables, net of allowance for doubtful accounts	41,449	43,718
Inventories - Note A	39,510	41,234
Prepaid and other current assets	2,925	3,402
Deferred income taxes	4,198	2,341
Current investment in discontinued operations - Note B	15,823	788
TOTAL CURRENT ASSETS	124,897	133,140
PROPERTY, PLANT AND EQUIPMENT		
Cost	63,014	63,374
Less accumulated depreciation	26,381	27,340
	36,633	36,034
OTHER ASSETS AND DEFERRED CHARGES		
Unamortized financing costs, less accumulated amortization of $5,722 and $5,997	3,386	3,111
Goodwill, less accumulated amortization of $6,751 and $7,086	46,038	45,703
Other assets and deferred charges	737	774
Noncurrent investment in discontinued operations - Note B	3,296	2,927
	53,457	52,515
TOTAL ASSETS	$214,987	$221,689

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands, except share data)

	December 31, 1991	March 29, 1992
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Revolving loans payable to banks - Note C	$ 30,000	$ 30,000
Current portion of long-term debt - Note C	43	31
Accounts payable	15,851	18,986
Accrued expenses and other liabilities	17,532	22,758
Accrued income taxes	-	219
Current liabilities related to discontinued operations - Note B	4,835	7,307
TOTAL CURRENT LIABILITIES	68,261	79,301
LONG-TERM DEBT - Note C	118,917	118,958
DEFERRED INCOME TAXES	2,666	2,671
LONG-TERM LIABILITIES RELATED TO DISCONTINUED OPERATIONS - Note B	4,666	1,249
TOTAL LIABILITIES	194,510	202,179
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value, 50,000,000 shares authorized; 36,886,105 shares issued and outstanding	369	369
Additional paid-in capital	6,421	6,421
Retained earnings	9,022	10,347
Equity adjustments from translation	4,665	2,373
	20,477	19,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$214,987	$221,689

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands)

	Quarter Ended	
	March 31, 1991	March 29, 1992
Net sales	$61,626	$66,375
Cost of sales	49,657	52,832
Gross profit on sales	11,969	13,543
Selling, general and administrative expenses	7,714	7,547
Operating income	4,255	5,996
Other income (expense):		
Other income, net	366	192
Interest expense and amortization of financing costs and debt discounts	(5,113)	(4,829)
	(4,747)	(4,637)
(Loss) income before income taxes	(492)	1,359
Income tax (benefit) provision	(703)	34
Net income	$ 211	$ 1,325

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (Continued)
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands, except per share data)

	Quarter Ended	
	March 31, 1991	March 29, 1992
Earnings per share (Exhibit 11):		
Income per common and common equivalent share:		
Primary:		
Net income	$ .01	$ .04
Fully diluted:		
Net income	$ .01	$ .04
Weighted average number of common shares outstanding:		
Primary	18,066	36,886
Fully diluted	18,066	36,886

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Equity Adjustments From Translation	Total
	Shares	Amount				
Balance at December 31, 1991	36,886	$ 369	$ 6,421	$ 9,022	$ 4,665	$ 20,477
Net income				1,325		1,325
Translation adjustments					(2,292)	(2,292)
Balance at March 29, 1992	36,886	$ 369	$ 6,421	$ 10,347	$ 2,373	$ 19,510

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands)

	Quarter Ended	
	March 31, 1991	March 29, 1992
OPERATING ACTIVITIES		
Net income	$ 211	$ 1,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,037	2,349
Changes in operating assets and liabilities, net of discontinued operations	644	5,944
Translation adjustments	(1,583)	(1,463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,309	8,155
INVESTING ACTIVITIES		
Proceeds from the disposal of discontinued operations, net of transaction costs paid	1,074	14,459
Purchases of property, plant, and equipment	(2,207)	(1,933)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(1,133)	12,526
FINANCING ACTIVITIES		
Principal payments on long-term debt	(13)	(16)
Other, net	101	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	88	(16)
INCREASE IN CASH AND CASH EQUIVALENTS	264	20,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,013	20,992
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 22,277	$ 41,657

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
REEVES INDUSTRIES, INC. AND SUBSIDIARY

MARCH 29, 1992

GENERAL

Reeves Industries, Inc. ("Reeves Industries" or "the Company") is a holding company whose principal asset is the capital stock of its wholly-owned subsidiary Reeves Brothers, Inc. ("Reeves"). Reeves is a diversified industrial company with operations in two business segments: industrial coated fabrics and apparel textiles. The Industrial Coated Fabrics Group manufactures and sells rubber and synthetic coated fabrics such as offset printing blankets, truck tarpaulins, gaskets, gas meter and other molded and flat diaphragms, materials used in automotive airbags, and graphic arts products for industrial applications. The Apparel Textile Group manufactures, processes and sells specialty textile fabrics to apparel and other manufacturers. Hart Holding Company Incorporated ("Hart Holding") owns 93.5% of the Company's voting securities and thereby has the ability to elect the entire Board of Directors.

Effective December 31, 1991, Hart Holding exchanged its 1,000 shares of Reeves Industries' Series I Preferred Stock, par value $1.00 per share, stated value $5,001,000 and having a liquidation value of $9,410,000 for 18,820,000 shares of Reeves Industries Common Stock. This transaction resulted in Hart Holding's percentage ownership in Reeves Industries Common Stock increasing from 86.7% to 93.5%.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For such information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991, as filed with the Securities and Exchange Commission on March 30, 1992. The condensed consolidated financial statements presented herein are, in the opinion of management, inclusive of all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of financial position as of March 29, 1992, and the results of operations and cash flows for the quarters ended March 31, 1991 and March 29, 1992.

MARCH 29, 1992

NOTE A - INVENTORIES

Inventories at December 31, 1991 and March 29, 1992, are comprised of the following (in thousands):

	December 31, 1991	March 29, 1992
Raw materials	$ 8,001	$ 8,354
Work in progress	10,092	10,531
Finished goods	21,417	22,349
	$39,510	$41,234

Approximately 26% and 30% of the Company's inventories at December 31, 1991 and March 29, 1992, respectively, are valued using the last-in, first-out ("LIFO") method. Interim LIFO determinations, including those as of March 29, 1992, are based on management's estimates of expected year end inventory levels and costs.

NOTE B - DISCONTINUED OPERATIONS

As of December 31, 1991, the Company reevaluated its reserves with respect to the disposal of the ARA Automotive Group and as a result adjusted the loss with respect to the discontinuance of ARA, which occurred in the fourth quarter of 1990, downward from $34.6 million to $32.2 million, net of applicable income tax benefits of $19.5 million and $18.0 million, respectively. This resulted in a gain of $2.4 million in the fourth quarter of 1991, net of applicable income taxes of $1.4 million.

The assets and liabilities and the results of operations of the ARA Automotive Group have been accounted for as discontinued operations in the accompanying condensed consolidated financial statements. Revenues from discontinued operations amounted to $5,910,000 and $0 for the quarters ended March 31, 1991 and March 29, 1992, respectively.

The investment in discontinued operations reflected in the December 31, 1991 and March 29, 1992 Condensed Consolidated Balance Sheet is comprised of the following (in thousands):

	December 31, 1991	March 29, 1992
Cash	$ 4	$ -
Accounts receivable	1,035	725
Other current assets	50	-
Property, plan and equipment, net	19	-
Income tax receivable	15,021	-
Deferred income taxes	2,990	2,990
Total investment in discontinued operations	$19,119	$ 3,715

NOTE C - LONG-TERM DEBT

Long-term debt at December 31, 1991 and March 29, 1992, consisted of the following (in thousands):

	December 31, 1991	March 29, 1992
12 1/2% Senior Notes due May 1, 1995, net of unamortized discount of $223 and $200	49,457	49,480
13% Senior Subordinated Debentures due May 1, 1998, net of unamortized discount of $411 and $394	53,589	53,606
13 3/4% Subordinated Debentures due May 1, 2001, net of unamortized discount of $148 and $144	15,852	15,856
Other	62	47
	118,960	118,989
Less current portion	(43)	(31)
	$118,917	$118,958

In March 1992, the Company and the agent for the banks that are party to the Reeves Industries Loan Agreement (the "Loan Agreement"), agreed to a sixth amendment (the "Amendment) to the Loan Agreement.

Concurrent with the consummation of the Amendment, the Company paid, out of available funds, the $30.0 million Revolving Loan outstanding as of December 31, 1991 which was due March 31, 1992. The Amendment makes available to Reeves a maximum revolving loan capacity of $20.0 million (as amended, the "Reeves Revolving Loan"). A letter of credit facility is available to Reeves of up to $5.0 million. The aggregate amount of the Reeves Revolving Loan outstanding plus outstanding letters of credit cannot exceed the lesser of $20.0 million or the Borrowing Base, as defined by the Amendment. The Reeves Revolving Loan due date is the earlier of the date Reeves Industries completes a refinancing or January 29, 1993. The Reeves Revolving Loan bears interest at: prime plus 1 3/4% or LIBOR plus 3% through August 30, 1992; prime plus 2 1/4% through October 30, 1992; prime plus 2 1/2% through December 30, 1992 and prime plus 3% thereafter. A commitment fee of 0.5% of the daily average unutilized portion of the Reeves Revolving Loan is payable quarterly.

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 1991, as filed with the Securities and Exchange Commission on March 30, 1992, for a more complete description of the Loan Agreement and the Indentures governing the debt securities.

NOTE D - SUPPLEMENTAL EARNINGS PER SHARE DATA

The following supplemental earnings per share data is presented as if the exchange of Preferred Stock for Common Stock occurred on January 1, 1991:

	Quarter Ended March 31, 1991
Net income	$ .01
Weighted average number of common shares outstanding - primary and fully diluted (in thousands)	36,886

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table and the discussion which follows presents the Company's sales and operating income by segment for the quarters ended March 31, 1991 and March 29, 1992 (In thousands):

	Quarter Ended	
	March 31, 1991	March 29, 1992
Net Sales:		
Industrial Coated Fabrics Group	$ 28,999	$ 29,149
Apparel Textile Group	32,627	37,226
Total Net Sales	$ 61,626	$ 66,375
Operating Income:		
Industrial Coated Fabrics Group	$ 5,295	$ 5,554
Apparel Textile Group	1,373	2,895
Corporate Expenses	(2,413)	(2,453)
Total Operating Income	$ 4,255	$ 5,996
Operating Income / Net Sales	6.9%	9.0%

THREE MONTHS ENDED MARCH 31, 1991 COMPARED WITH THREE MONTHS ENDED MARCH 29, 1992

SALES

The Company's overall sales for the first three months of 1992 versus 1991 increased 7.7%. Sales of the Industrial Coated Fabrics Group represented 43.9% of the Company's total sales for the first three months of 1992 as compared with 47.1% for the comparable period in 1991. Sales of the Apparel Textile Group represented 56.1% of the Company's total sales for the first three months of 1992 as compared with 52.9% for the comparable period in 1991.

Sales of the Industrial Coated Fabrics Group were virtually the same as the first three months of 1991. The Group's Domestic sales increases in specialty coated fabrics and automotive airbag materials were offset by a decline in International sales. The increase in Domestic specialty coated fabrics was caused by an increase in unit volume and the increase in automotive airbag material sales was due to an increase in unit volume caused by the increasing inclusion of driver side airbags in U.S. manufactured cars. The decline in International sales was due to the continuing European recession.

The Apparel Textile Group's sales increased by 14.1% in the first three months of 1992 as compared to the first three months of 1991 primarily due to a shift to more fancy or higher priced goods.

OPERATING INCOME

Operating income for the first three months of 1992 was $6.0 million as compared to operating income of $4.2 million for the first three months of 1991. As a percentage of sales, operating income increased to 9.0% for the first three months of 1992 compared to 6.9% in the same period of 1991.

Operating income of the Industrial Coated Fabrics Group for the first three months of 1992 increased 4.9% as compared to the first three months of 1991, primarily as a result of an increase in Domestic sales volume for specialty coated fabrics and automotive airbag material and improved manufacturing costs primarily resulting from prior capital investments.

The Apparel Textile Group's operating income for the first three months of 1992 increased 110.9% as compared to the first three months of 1991, primarily due to stronger margins on the higher priced goods and manufacturing cost reductions associated with prior capital investments.

LIQUIDITY AND CAPITAL RESOURCES

The Loan Agreement provided Reeves Industries with a $44.9 million revolving line of credit facility and an $11.5 million letter of credit facility to provide liquidity. The balance outstanding under the revolving line of credit at December 31, 1991 was $30.0 million. Reeves Industries had outstanding letters of credit of $2.0 million at December 31, 1991.

In March 1992, Reeves Industries and the agent for the banks that are party to the Loan Agreement agreed to a sixth amendment to the Loan Agreement. Concurrent with the consummation of the Amendment, Reeves Industries paid, out of available funds, the $30.0 million revolving loan outstanding as of December 31, 1991 which was due March 31, 1992.

The Amendment to the Loan Agreement replaces the revolving line of credit facility and letters of credit facility with a $20.0 million revolving line of credit facility and a $5.0 million letters of credit facility to provide liquidity. Outstanding letters of credit reduce dollar for dollar the amount that may be borrowed as revolving loans. Management believes that funds available under these credit facilities will be sufficient to supplement funds generated from operations to meet the working capital and capital expenditure requirements of the Company through the termination of the facility which will occur on the earlier of the completion of a refinancing of certain of the Company's existing debt securities or January 29, 1993. Concurrent with the consummation of the Amendment, the Company had available borrowing of $20.0 million under the revolving loans and approximately $5.0 million under the letter of credit facility.

In April 1992, the Company filed a registration statement with the Securities and Exchange Commission with respect to a public offering of $121.5 million of Senior Notes due 2002 (the "New Senior Notes"). Proceeds of the offering will be used to redeem all of the Company's outstanding 12 1/2% Senior Notes, all of the Company's outstanding 13% Senior Subordinated Debentures and repay revolving loans that will be outstanding under the revolving loan facility. The completion of the offering will result in the termination of the Loan Agreement.

The Company intends to arrange for another revolving loan/letter of credit facility to replace the Loan Agreement and is engaged in discussion with banks for that purpose. Whether or not the Company obtains such a facility, the Company expects to be able to fund its working capital needs, capital expenditure requirements and debt service obligations from current cash balances and cash flow from operations.

In February 1992, Reeves Industries received approximately $17.0 million from the federal government in payment of a tax refund receivable which was recorded as of December 31, 1991. The refund resulted from Reeves Industries carrying back operating losses generated in 1991, primarily related to the disposal of the ARA Automotive Group, to offset previous year's taxable income.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits	Description	Page
Exhibit 11	Computation of Earnings Per Common Share	17

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the three months ended March 29, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REEVES INDUSTRIES, INC.

DATE: April 30, 1992

By: Steven W. Hart

Steven W. Hart
Chief Financial Officer

EXHIBIT 11.

CALCULATION OF PRIMARY AND FULLY DILUTED EARNINGS PER COMMON SHARE
REEVES INDUSTRIES, INC. AND SUBSIDIARY
(In thousands, except per share data)

	Quarter Ended	
	March 31, 1991	March 29, 1992
Income from continuing operations	$ 211	$ 1,325
Less cumulative preferred dividends	(75)	-
Net income attributable to primary and fully diluted common shares	$ 136	$ 1,325
Earnings per common share:		
Primary:		
Net income	$ .01	$ .04
Fully diluted:		
Net income	$ .01	$ .04

EXHIBIT 11.

CALCULATION OF PRIMARY AND FULLY DILUTED EARNINGS PER COMMON SHARE - (Continued)

REEVES INDUSTRIES, INC. AND SUBSIDIARY

(In thousands)

	Quarter Ended	
	March 31, 1991	March 29, 1992
Weighted average number of common shares outstanding:		
Primary	18,066	36,886
Fully diluted	18,066	36,886

NOTE: In 1991 a deduction was made for cumulative preferred dividends earned during the period even though such dividends were not declared or paid.

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MAY 15 1992

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

PROCESSED BY

MAY 18 1992

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For quarter Ended March 31, 1992

Commission File Number 0-13788

N92-2237

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RHNB CORPORATION

(Exact name of registrant as specified in its charter)

South Carolina (State or other jurisdiction of incorporation)	57-0740434 (I.R.S. Employer Identification No.)

222 East Main Street
Rock Hill, South Carolina 29730
(Address of principal executive offices, including zip code)

(803) 324-4444
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

YES __X__ NO _____

The number of shares outstanding of each of registrant's classes of common stock as of March 31, 1992:

2,338,020 shares of common stock, $2.50 par value

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PART I
ITEM I - FINANCIAL STATEMENTS

RHNB CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AT MARCH 31, 1992 AND DECEMBER 31, 1991

	March 31, 1992	*December 31, 1991*
ASSETS:		
Cash and due from banks (non-interest bearing)	$15,501,329	$17,474,031
Federal funds sold	6,050,000	8,065,000
Securities purchased under agreements to resell	12,500,000	12,300,000
Total cash and cash equivalents	34,051,329	37,839,031
Interest-bearing accounts with banks	2,094,260	2,004,353
Investment securities		
U.S. Treasury	7,002,302	10,306,377
U.S. Government agencies and mortgage-backed securities	31,966,152	35,815,945
Securities held for sale - state, county and municipal bonds	9,593,250	13,825,044
Total investment securities	48,561,704	59,947,366
(market value: 1992, $48,776,695; 1991, $62,476,335)		
Federal Reserve Bank stock	389,450	465,450
Loans	166,418,106	177,179,009
Less unearned income	(2,616,905)	(3,224,481)
Less allowance for loan losses	(7,536,590)	(7,705,353)
Net loans	156,264,611	166,249,175
Loans and leases held for sale	3,517,709	0
Bank premises, furniture and equipment (net)	2,789,639	4,381,757
Accrued interest receivable	1,700,736	2,210,423
Intangible assets	126,142	557,783
Other real estate owned and repossessed personal property	6,445,300	7,533,891
Other assets	1,936,542	1,989,453
Total assets	$257,878,424	$283,178,682
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Demand deposits	$28,750,441	$35,130,225
Savings and NOW deposits	84,051,539	80,619,987
Time deposits of $100,000 or more	21,545,190	31,030,549
Other time deposits	75,622,653	87,993,343
Total deposits	209,969,823	234,774,104
Securities sold under agreements to repurchase and Federal funds purchased	22,689,212	22,749,051
U.S. Treasury demand notes	1,010,724	1,200,000
Convertible subordinated debentures	6,000,000	6,000,000
Notes payable	4,300,000	3,889,000
Obligation under capital leases	863,650	872,965
Accrued interest on savings and time deposits	935,122	1,442,146
Other accrued expenses and liabilities	1,104,186	1,603,564
Total liabilities	246,872,717	272,530,830
Shareholders' equity:		
Common stock *($2.50 par value; Shares authorized, 5,000,000; outstanding 1992, 2,338,020; 1991, 2,331,167)*	5,845,050	5,827,917
Surplus	7,589,883	7,575,912
Retained deficit	(2,429,226)	(2,755,977)
Total shareholders' equity	11,005,707	10,647,852
Total liabilities and shareholders' equity	$257,878,424	$283,178,682

See notes to consolidated financial statements.

RHNB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	Three Months Ended	
	1992	*1991*
INTEREST INCOME:		
Loans, including fees	$4,241,523	$6,330,687
Investment securities:		
U.S. Treasury and government agencies	897,677	1,186,537
Securities held for sale	275,972	334,467
Total investment securities	1,173,649	1,521,004
Federal funds sold and other short term investments	132,667	330,061
Interest bearing accounts with banks	78,431	66,578
Total interest income	5,626,270	8,248,330
INTEREST EXPENSE:		
Time deposits of $100,000 or more	390,562	831,209
Other time and savings deposits	2,114,217	3,139,412
Federal funds purchased and securities sold under repurchase agreements	184,510	482,366
U.S. Treasury demand notes	9,879	49,480
Convertible subordinated debentures	128,750	128,750
Other	93,027	144,440
Total interest expense	2,920,945	4,770,692
Net interest income	2,705,325	3,477,638
Provision for loan losses	484,000	489,714
Net interest income after provision for loan losses	2,221,325	2,987,924
OTHER INCOME:		
Service charges on deposit accounts	486,972	495,732
Other service and exchange charges	48,126	43,093
Gain on the sale of securities	330,551	0
Other operating income	444,202	279,564
Total other income	1,309,851	818,389
OTHER EXPENSES:		
Salaries, wages and employee benefits	1,496,077	1,572,798
Occupancy expense	286,233	303,460
Furniture and equipment expense	233,660	276,715
Other operating expense	1,127,455	1,009,654
Total other expense	3,144,425	3,162,626
Income before income taxes	386,751	643,687
Provision for income taxes	60,000	121,000
Net income	$326,751	$522,687
PER SHARE AMOUNTS:		
Primary earnings per share	$0.14	$0.22
Cash dividends per share	$0.00	$0.00

RHNB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
Increase (decrease) in cash and cash equivalents:		
OPERATING ACTIVITIES:		
Net income (loss)	$326,751	$522,687
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	484,000	489,714
Depreciation and amortization	133,200	257,757
Premium amortization (discount accretion) on investment securities	5,977	(2,415)
(Increase) decrease in interest receivable	509,685	302,429
(Increase) decrease in other real estate owned	1,087,591	
(Increase) decrease in other assets	52,911	(3,886,364)
Increase (decrease) in interest payable	(507,024)	(515,929)
Increase (decrease) in other accrued liabilities	(499,378)	(200,783)
Net cash provided by operating activities	1,593,713	(3,032,904)
INVESTING ACTIVITIES:		
Proceeds from sales of investment securities	7,828,162	0
Proceeds from maturities of investment securities	5,055,000	9,756,686
Purchase of investment securities	(1,497,500)	(3,492,812)
Net (increase) decrease in certificates of deposit of other banks	(89,907)	12,000
Net (increase) decrease in Federal Reserve Bank stock	76,000	0
Net (increase) decrease in loans	6,408,519	7,134,273
Proceeds from sale of fixed assets	1,504,963	
Purchase of premises and equipment	(46,045)	(132,657)
Net cash used in investment activities	19,239,192	13,277,490
FINANCING ACTIVITIES:		
Net increase (decrease) in demand, NOW, and savings accounts	(2,948,232)	(6,461,628)
Net increase (decrease) in certificates of deposit	(21,856,049)	4,686,287
Net increase (decrease) in short–term borrowings	(249,115)	2,101,146
Net increase (decrease) in notes payable and commercial paper	411,000	0
Decrease in obligation under capital leases	(9,315)	(8,338)
Cash dividends paid	0	0
Sale of stock via employee stock purchase plan	26,109	33,236
Issuances of common stock via dividend reinvestment	4,995	4,509
Net cash provided by financing activities	(24,620,607)	355,212
INCREASE IN CASH AND CASH EQUIVALENTS	(3,787,702)	10,599,798
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	37,839,031	24,939,291
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$34,051,329	$35,539,089

RHNB CORPORATION AND SUBSIDIARY

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. Basis of Presentation

The interim consolidated financial statements include the accounts of RHNB Corporation (the "Company") and its wholly owned subsidiaries, Rock Hill National Bank and Sterling Commercial Corporation (hereinafter "RHNB-SC" and "Sterling", respectively).

In the opinion of management, the accompanying interim consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position of RHNB Corporation and subsidiaries, the results of their operations and their cash flows for the three months ended March 31, 1992 and 1991.

Assets designated as "held for sale" include the Company's municipal investment portfolio which is currently being liquidated. Also, loans and leases held for sale represent Sterling Commercial Corporation's loan and lease assets which are also being liquidated. Both of these groups of assets are presented at the lower of their fair market value or current book value.

The accounting policies followed are set forth in note "1" to the Company's 1991 annual report to shareholders.

The results of operations for the period ended March 31, 1992 are not necessarily indicative of the results expected for the full year.

B. Fully Diluted Earnings Per Share

Per share data does not include presentation of fully diluted earnings per share due to the antidilutive nature of this calculation at March 31, 1992.

C. Shareholders' Equity

During the three months ended March 31, 1992, minor issuances of stock were made pursuant to the Company's dividend reinvestment and employee stock purchase plans. Shares issued under these plans during the first three months of 1992 totaled 6,853. These issuances generated $31,104 in additional capital.

D. Sale of Certain Assets and Liabilities and Subsequent Dissolution of RHNB National Bank of North Carolina

The sale of certain assets and liabilities and the subsequent dissolution of the Company's former North Carolina banking subsidiary was consummated on March 30, 1992. The net impact of this transaction on operations is discussed in "Management's Discussion and Analysis".

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition

On March 30, 1992, the divestiture of RHNB National Bank of North Carolina was consummated. The impact of this transaction on first quarter operations totaled approximately $80,000. This gain reduced RHNB National Bank of North Carolina's loss on operations for the quarter to approximately $3,000.

In addition to this transaction, liquidation of Sterling Commercial Corporation proceeded during the first quarter of 1992. Final liquidation of this subsidiary is anticipated in the second or third quarter of 1992. Remaining assets and liabilities of Sterling will be absorbed by the parent company upon final liquidation. As a result of the impending liquidation of the subsidiary, the consolidated financial statements reflect Sterling Commercial Corporation's loans and leases as "held for sale". In so recording the Company's investment in Sterling, a valuation allowance totaling $500,000 has been established to provide for possible losses which may be experienced upon total liquidation of the subsidiary. The total asset value represented by Sterling is shown net of the established valuation allowance.

The Company continues to focus on the liquidation and work out of problem credits. During the first quarter of 1992, classified credits were reduced by approximately 16.5%. Additional resources, particularly in the form of personnel have been allocated to the correction of credit deficiencies. It is therefore anticipated that classified credit totals will continue to decline in a relatively rapid manner over the next one to two quarters.

In addition to the emphasis being placed upon correction of credit documentation deficiencies and working out of problem credits, a key focal issue remains the liquidation of foreclosed properties. During the first quarter of 1992, the Company liquidated over $1,000,000 of foreclosed or repossessed property. However, at March 31, 1992 the Company had nearly $6.5 million of foreclosed properties or assets classified as in-substance foreclosures. This total, coupled with non-accruing loans, amounts to approximately $12.1 million in non-earning assets. The Company is constantly striving to convert these assets back to an earning status as rapidly as possible. When this can be accomplished, it will have a material beneficial impact on the Company's earnings.

As noted above, improvement in the quality of the Company's loan portfolio was experienced during the first quarter in the form of reduced classified loans totals. Additionally, analyses of the adequacy of the Company's allowance for loan losses indicated that current allowance levels were sufficient for possible loan losses. During the first quarter of 1992 the Company's net loan charge offs totaled approximately $1.17 million. Of this total, approximately 42% or $500,000 represents a charge down of the credit extended by Rock Hill National Bank to Sterling Commercial Corporation.

The decline in the Company's total assets experienced during most of 1991 slowed during the first quarter of 1992. This decline, resulting principally from sluggish loan demand, low deposit rates and the Company's emphasis on improved asset quality, reduced total assets to approximately $283 million at December 31, 1991. The $25 million reduction in assets experienced in the first quarter of 1992 resulted principally from the divestiture of RHNB National Bank of North Carolina. Excluding this transaction, total corporate assets declined approximately two percent. As it is management's intent to begin to rebuild the Company's asset base, targets for quality asset growth have been established through the end of the current fiscal year. As the Company begins to rebuild its asset base and as these growth goals are achieved, increased volumes should result in an enhanced earnings profile for the Company.

Results of Operations
For the Quarters Ended March 31, 1992 and 1991

The Company recorded net income of $326,751 or $0.14 per share during the first quarter of 1992 as compared with $522,687 or $0.22 per share for the same period in 1991. Approximately $330,000 of security gains were recorded in the first quarter of 1992. Net operating losses generated in 1990 and 1991 created net operating loss carryforwards which the Company has available to reduce future tax liability. As a result, much of the benefit of the Company's tax-exempt security holdings has been foregone. Therefore, management determined to liquidate the Company's tax-exempt investment portfolio. The liquidation of a portion of these securities generated the above noted gain on sale of securities. The remainder of these securities have been classified as held for sale and have been recorded at the lower of cost or market for financial reporting purposes. These remaining securities will be liquidated over the next three to six months.

The Company's net interest income declined approximately 22% during the first quarter of 1992 as compared with the same period in 1991. The two principal reasons for this decline was a corresponding decrease of 21% in total assets and an increase of approximately $1.2 million in non-accruing assets. While the Company was able to maintain net interest margins, the decline in the volume of earning assets resulted in reduced interest income.

Non-interest income, as previously noted was impacted significantly by the partial liquidation of the Company's tax-exempt bond portfolio. This gain accounted for approximately two thirds of the total increase in the Company's non-interest income during the first quarter of 1992 as compared to the same period in

1991. A significant portion of the remaining increase resulted from the disposal of RHNB National Bank of North Carolina.

Most categories of non-interest expense declined in the first quarter of 1992 as compared with the same period of 1991. A few individual expense components remained at elevated levels. The primary items attributing to this include legal costs associated with the disposal of RHNB National Bank of North Carolina and loan collection efforts. These costs totaled approximately $152,000 during the first quarter of 1992 as compared with approximately $67,000 for the same period in 1991. Also, costs associated with the disposal of foreclosed property totaled approximately $109,000 in the first quarter of 1992 compared with approximately $28,000 for the corresponding period in 1991. These two expense items accounted for over 15% of the Company's non-personnel related overhead during the first quarter of 1992. Control and reduction of non-interest expense remains a high priority for the Company for the remainder of 1992.

Capital Resources

The Company and its banking subsidiary was in compliance with established risk based capital guidelines at March 31, 1992. At that time, the Company's tier I risk based capital ratio was 6.56%, tier II risk based capital ratio was 10.75% and leverage capital ratio was 4.40%. Rock Hill National Bank's ratios were 8.47%, 9.99%, and 6.29% respectively.

On March 30, 1992, the Company was able to negotiate more favorable terms with a new lender for the funding of Sterling Commercial Corporation. The terms of this extension of credit, which totaled approximately $4.3 million at March 31, 1992, call for a note maturity date of March 31, 1993. While no interim principal payments are scheduled, it is anticipated that the liquidation of Sterling Commercial Corporation will provide sufficient proceeds to liquidate the majority of this credit. Any remaining debt associated with this extension of credit will be assumed by the parent company and will be serviced through the liquidation of any remaining assets of Sterling.

Liquidity

During the first quarter of 1992, the Company's liquidity at its subsidiary banks remained at or above targeted levels. A considerable portion of this liquidity was held in the form of overnight investments. As short term yields have continued to decline and the need for such investments by the subsidiary bank has diminished, the Company has determined to shift toward higher yielding securities. These securities, while being longer in duration, still provide adequate liquidity to the bank to meet anticipated cash needs, while enhancing the Company's net interest margin.

Liquidity at the parent company level was enhanced during the first quarter of 1992 through the sale of RHNB National Bank of North Carolina's assets. Although the principal source of ongoing liquidity to the parent company, dividends from Rock Hill National Bank, has been restricted, cash and liquid assets at tne parent are considered sufficient to provide for all needs.

Part II
Other Information

Item 1. Legal Proceedings.
No events required to be disclosed under this item have occurred.

Item 2. Changes in Securities.
No events required to be disclosed under this item have occurred.

Item 3. Defaults Upon Senior Securities.
No events required to be disclosed under this item have occurred.

Item 4. Items Submitted for Shareholder Vote.
No events required to be disclosed under this item have occurred.

Item 5. Other Information.
None.

Item 6. Exhibits and Resorts on Form 8-K.
(a) Exhibits.
None.
(b) Reports on Form 8-K.
No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to the signed on its behalf by the undersigned thereunto duly authorized.

RHNB Corporation

Dated: May 13, 1992

C John Hipp III

C. John Hipp, III Acting President

Gregory L. Gibson

Gregory L. Gibson, Sr. Vice President
and Chief Financial Officer

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

BEST COPY AVAILABLE

For the quarterly period ended March 31, 1992

OR

__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to _________.

092-223

Commission File No. 0-1412

M.H. RHODES, INC.
(Exact name of registrant as specified in its charter)

Delaware	06 0509270
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
99 Thompson Road, Avon, Connecticut	06001
(Address of principal executive office)	(Zip Code)

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Registrant's telephone number, including area code (203) 673-32[illegible]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

L30 Yes X No__

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There were, as of March 31, 1992, 210,283 shares of Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

M. H. RHODES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS	December 31 1991	March 31 1992
ASSETS		
CURRENT ASSETS		
Cash	$ 132,260	$ 161,923
Accounts Receivable	1,780,946	1,637,776
Inventories	4,436,888	4,229,278
Refundable Income Taxes	23,092	22,444
Prepaid Expenses and Other	14,954	69,859
TOTAL CURRENT ASSETS	6,388,140	6,121,280
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Buildings and Improvements	1,270,698	1,270,698
Machinery and Equipment	2,231,771	2,314,936
Land	65,000	65,000
Sub-Total	3,567,469	3,650,634
Less: Accumulated Depreciation	(2,090,533)	(2,211,847)
NET PROPERTY, PLANT AND EQUIPMENT	1,476,936	1,438,787
INTANGIBLE ASSETS	50,472	49,338
TOTAL ASSETS	$ 7,915,548	$ 7,609,405
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes Payable	687,000	609,680
Current Portion of Long-Term Debt	$ 251,827	$ 251,827
Accounts Payable	1,369,082	1,278,829
Accrued Expenses	634,191	585,161
TOTAL CURRENT LIABILITIES	2,942,100	2,725,497
LONG-TERM DEBT, LESS CURRENT PORTION	1,561,432	1,502,898
OTHER NON-CURRENT LIABILITIES	29,230	28,944
SHAREHOLDERS' EQUITY:		
Common Stock	300,880	300,880
Paid in Capital	3,697	3,697
Retained Earnings	5,589,453	5,516,235
Sub-Total	5,894,030	5,820,812
Less: Treasury Stock	(981,196)	(981,196)
Deferred Compensation	(1,530,048)	(1,487,550)
NET STOCKHOLDERS' EQUITY	3,382,786	3,352,066
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,915,548	$ 7,609,405

M. H. RHODES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Month Period March 31,	
	1991	1992
NET SALES	$ 3,230,498	$ 2,670,068
COST OF GOODS SOLD	2,550,115	2,171,788
GROSS PROFIT	680,383	498,280
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	553,985	522,069
OPERATING INCOME (LOSS)	126,398	(23,789)
INTEREST INCOME	4,038	1,393
INTEREST EXPENSE	(51,092)	(37,980)
OTHER INCOME, NET	470	1,167
INCOME (LOSS) BEFORE INCOME TAXES	79,814	(59,209)
PROVISION FOR INCOME TAX	392	(3,193)
NET INCOME (LOSS)	$ 79,422	$ (56,016)
AVERAGE SHARES OUTSTANDING	215,187	210,283
EARNINGS (LOSS) PER SHARE	$ .37	$(.27)
CASH DIVIDENDS PER SHARE	$ -	$ -

M. H. RHODES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	March 31	
	1991	1992
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income(Loss)	$ 79,422	$ (56,016)
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:		
Depreciation	76,481	70,020
Amortization of other assets	1,273	1,134
Amortization of deferred compensation	42,498	42,498
Translation adjustments	430	(17,202)
Gain on sale of assets	(333)	-
Change in assets and liabilities:		
(Increase)decrease in accounts receivable	(146,541)	143,170
Decrease in inventories	201,260	207,610
Increase in prepaid expenses and other	(42,468)	(54,257)
Decrease in accounts payable	(238,525)	(90,253)
Decrease in accrued expenses	(5,704)	(49,030)
Decrease in other noncurrent liabilities	(239)	(286)
Total adjustments	(111,868)	253,404
Net cash provided by (used in) operating activities	(32,446)	197,388
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(7,427)	(31,871)
Proceeds from sale of property , plant and equipment	2,200	-
Net cash used in investing activities	(5,227)	(31,871)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from additional borrowings	220,000	-
Repayments of debt	(202,841)	(135,854)
Net cash provided by (used in) financing activities	17,159	(135,854)
NET INCREASE(DECREASE) IN CASH	(20,514)	29,663
CASH, beginning of quarter	252,437	132,260
CASH, end of quarter	$ 231,923	$ 161,923

M. H. RHODES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES

1. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly (a) The results of operations for the three month periods ended March 31, 1991 and March 31, 1992, (b) The financial position at March 31, 1992 and December 31, 1991 and (c) The cash flows for the three month periods ended March 31, 1992 and March 31, 1991.

2. The results for the three month period ended March 31, 1992 are not necessarily indicative of the results for the entire year.

3. Inventories consisted of the following:

	December 31 1991	March 31 1992
Raw Materials and Government Parts....	$ 2,209,386	$ 2,113,868
Work in Process	1,830,319	1,835,981
Finished Goods	397,183	279,429
TOTAL	$ 4,436,888	$ 4,229,278

4. The earnings(loss) per share are calculated by dividing the net income(loss) by the weighted average of the outstanding shares. The weighted average of shares outstanding is calculated by adding the number of shares outstanding each day of the period and dividing by the number of days in the period.

5. The consolidated financial statements include the accounts of M. H. Rhodes, Inc. and its 96% owned subsidiary, M. H. Rhodes (Canada) Limited. Certain reclassifications have been made to the December 31, 1991 financial statements in order to make their presentation comparable to that of March 31, 1992.

ITEM 2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

New orders for the first quarter of 1992 increased 8% compared to the first quarter of 1991. The principal contributing factors for this increase are: 1) An increase in Original Equipment Manufacturers' (OEM) annual blanket orders and 2) Additional business from new products in the Houseware and OEM lines. The total backlog on March 31, 1992 was $2,972,000 compared to $3,335,000 on March 31, 1991, or an 11% decrease.

Net sales for the first quarter of 1992 decreased $560,000 or 17% compared to the first quarter of 1991. This decrease is a reflection of lower shipments in both the U.S. Government and Photocontrol lines in 1992.

Cost of goods sold as a percentage of net sales increased to 81% in the first quarter of 1992 as compared to 79% in the first quarter of 1991. This increase was attributable to lower shipments in the higher margin U.S. Government lines.

Selling, general and administrative expenses increased to 20% of net sales from 17% of net sales as compared to the same quarter in 1991. The majority of selling, general and administrative expenses are fixed. Therefore, these expenses could not be reduced in direct proportion to the decrease in net sales.

Interest income for the first quarter of 1992 decreased due to lower cash balances maintained than in the first quarter of 1991. Interest expense decreased in the first quarter of 1992 as compared to the first quarter of 1991. The contributing factors for this decrease were: 1) Lower interest rates and 2) Retirement of debt related to the Photocontrol acquisition.

On a consolidated basis, M. H. Rhodes, Inc. had a net loss of $56,000 for the first quarter of 1992 as compared to a net income of $79,000 for the first quarter of 1991. Lower 1992 customer shipments contributed to the decrease in net income.

Financial Condition as of March 31, 1992

Working capital for the first quarter of 1992 decreased $50,000. This decrease resulted from working capital used for debt repayments and capital expenditures exceeding working capital generated by operations.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits - None

b. Reports on Form 8-K - There were no reports on Form 8-k filed for the three months ended March 31, 1992, Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

M. H. RHODES, INC.

BY
Allan D. Springer
Its Controller/Treasurer and
Chief Financial Officer

Dated: May 11, 1992

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarter ended April 4, 1992 Commission File No. 1-62

P92-223

RINI-REGO SUPERMARKETS, INC.
(Exact name of Registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	34-0222970 (IRS Employer Identification No.)
5300 Richmond Road, Bedford Heights, Ohio (Address of principal executive offices)	44146 (Zip Code)

Registrant's telephone number, including area code: (216) 292-7000

Indicate by check mark whether the Registrant (1) has filed all reports required by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

YES X NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

	Outstanding at May 15, 1992
Common Stock, $.01 Par Value	3,536,503

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RINI-REGO SUPERMARKETS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands of dollars)

	April 4, 1992 (unaudited)	June 29, 1991
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,510	$ 3,693
Trade accounts receivable, net	25,465	27,370
Inventories	69,550	73,402
Prepaid expenses	6,448	5,642
	104,973	110,107
PROPERTY, EQUIPMENT AND CAPITAL LEASES	137,439	125,819
Less-Allowances for depreciation, amortization and loss on disposal of fixed assets	52,305	46,228
	85,134	79,591
OTHER ASSETS:		
Notes receivable	6,287	5,433
Favorable leases, net	1,791	3,058
Other	3,795	2,442
	11,873	10,933
TOTAL ASSETS	$ 201,980	$ 200,631
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 43,602	$ 46,378
Accrued liabilities	21,233	23,576
Current portion of long-term liabilities	9,663	9,897
	74,498	79,851
LONG-TERM LIABILITIES:		
Debt	54,728	53,089
Capital lease obligations	10,246	10,948
Self insurance reserves	9,294	9,611
Other liabilities	5,253	5,050
SHAREHOLDERS' EQUITY:		
Preferred Stock--18,044 and 18,054 shares at April 4, 1992 and June 29, 1991	1,804	1,805
Class A Common Stock--7,125,288 and 7,125,191 shares at April 4, 1992 and June 29, 1991	71	71
Class B Common Stock--955,613 shares	10	10
Paid-in capital	35,546	35,546
Retained earnings	10,530	4,650
	47,961	42,082
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 201,980	$ 200,631

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

RINI-REGO SUPERMARKETS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(In thousands of dollars, except per share data)
(unaudited)

	40 Weeks Ended		12 Weeks Ended	
	April 4, 1992	April 6, 1991	April 4, 1992	April 6, 1991
NET SALES	$ 757,255	$ 788,314	$ 223,518	$ 230,597
COST OF GOODS SOLD	593,859	618,331	175,739	180,909
Gross profit	163,396	169,983	47,779	49,688
SELLING, GENERAL & ADMINISTRATIVE EXPENSE	148,202	151,028	44,195	44,527
Operating profit	15,194	18,955	3,584	5,161
OTHER INCOME (EXPENSE):				
Interest expense	(5,549)	(6,904)	(1,489)	(1,893)
Interest income	526	558	142	175
Gain (Loss) on sale of assets	117	32	(4)	25
INCOME BEFORE INCOME TAXES	10,288	12,641	2,233	3,468
PROVISION FOR INCOME TAXES	4,300	5,400	900	1,500
NET INCOME	5,988	7,241	1,333	1,968
LESS PREFERRED STOCK DIVIDENDS	108	108	36	36
NET INCOME APPLICABLE TO COMMON SHARES	$ 5,880	$ 7,133	$ 1,297	$ 1,932
PER SHARE DATA:				
NET INCOME PER COMMON SHARE	$ .73	$ .89	$ .16	$ .24
DIVIDENDS PER COMMON SHARE	-	-	-	-
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	8,080,881	7,981,985	8,080,901	7,984,930

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

RINI-REGO SUPERMARKETS, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands of dollars)
(unaudited)

	40 Weeks Ended		12 Weeks Ended	
	April 4, 1992	April 6, 1991	April 4, 1992	April 6, 1991
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$ 5,988	$ 7,241	$ 1,333	$ 1,968
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation & Amort.	9,330	9,507	2,939	2,965
Provision for LIFO	2,550	2,550	729	729
(Gain) loss on sale of assets	(117)	(32)	4	(25)
Stock issued as compensation	-	12	-	12
Changes in assets and liabilities	(5,112)	(4,896)	(3,734)	(4,690)
Cash provided by operating activities	12,639	14,382	1,271	959
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of fixed assets	(14,642)	(9,215)	(6,251)	(3,648)
Proceeds from sale of fixed assets	906	49	59	25
Cash used for investing activities	(13,736)	(9,166)	(6,192)	(3,623)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of notes	15,000	-	-	-
Additions to (reduction of) long-term debt, net	(13,276)	(3,445)	5,156	3,583
Reduction of capital lease obligations	(702)	(754)	(211)	(234)
Proceeds from issuance of common stock	-	800	-	800
Preferred stock dividends	(108)	(108)	(36)	(36)
Cash provided by (used for) financing activities	914	(3,507)	4,909	4,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(183)	1,709	(12)	1,449
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,693	3,036	3,522	3,296
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,510	$ 4,745	$ 3,510	$ 4,745
SUPPLEMENTAL DATA:				
Interest Paid	$ 5,183	$ 6,645	$ 984	$ 1,514
Taxes Paid	$ 3,162	$ 2,854	$ 892	$ 217

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated balance sheets.

RINI-REGO SUPERMARKETS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
April 4, 1992

(1) Basis of Presentation:

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. The results of operations for the twelve and forty weeks ended April 4, 1992 are not necessarily indicative of the results for the fiscal year ending June 27, 1992. In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary for a fair statement of the financial position at the dates indicated and of the results for the interim periods indicated.

The consolidated financial statements include the accounts of Rini-Rego Supermarkets, Inc. and its subsidiaries. (RRS or the Company) All material intercompany accounts and transactions have been eliminated. The accompanying financial statements of the Company are presented on the "push down accounting" basis, for financial reporting purposes only, with the equity section of the accompanying balance sheet reflecting the equity of Riser Foods, Inc. The separate financial statements of the Company would reflect the following shareholders' equity amounts (in thousands):

	April 4, 1992	June 29, 1991
Preferred stock	$ 1,811	$ 1,811
Common stock	1,403	1,403
Paid-in capital	22,714	22,714
Retained earnings	20,667	14,679
	$ 46,595	$ 40,607

(2) Debt:

Effective September 30, 1991, the interest rates on the Company's lines of credit were reduced. The interest rates on the lines of credit were reduced from 1% to .75% over the bank's Prime Interest Rate.

On December 31, 1991, the Company issued $15,000,000 in Taxable Variable Rate Demand Notes (the Notes). The proceeds of the Notes were used to retire $12,451,000 of term loans under the Company's bank credit facility, and other debt bearing interest rates ranging from 7.0% to 8.5%. The Notes bear interest at a variable rate based on the higher of the average 30-day or the 90-day commercial paper rate, plus a market increment which currently is .125%, payable monthly. Principal under the Notes will be repaid in annual repayments of $2,000,000 beginning December 1, 1992 thru December 1, 1997 and $3,000,000 on December 1, 1998. The Notes are secured by a bank letter of credit. The bank letter of credit expires on December 31, 1993, has an annual fee of 1% on the outstanding note balance, and is secured by the Company's existing bank credit facility.

Concurrent with the issuance of the Notes, the Company entered into an Exchange Transaction with a bank which fixed the higher of the 30-day or 90-day commercial paper rate at 6.50% for the next 3 years at dollar amounts which correspond to the Notes outstanding.

Unused borrowing capacity at April 4, 1992 under the Company's bank credit facility was approximately $15 million.

(3) Employee Stock Option Plan:

On October 4, 1991 the Company granted options to several key employees to purchase 96,500 shares of Class A Common Stock (the 1991 Options) under the Company's Stock Incentive Plan for Key Employees. The exercise price of the 1991 Options is $10.31 per share of Class A Common Stock. The 1991 Options will not become exercisable until October 4, 1993 and will expire on October 4, 2001, if not exercised. The 1991 Options are non-qualified options for Federal Income Tax purposes.

(4) Income Taxes:

At June 29, 1991, the Company had a net operating loss carryforward of approximately $38,600,000 for financial reporting purposes. A significant portion of these carryforwards relate to the Company's acquired subsidiary, RRS, and are only available to offset the future earnings of RRS. RRS's net operating loss utilization is significantly limited due to tax regulations regarding change in ownership of RRS's stock. For financial reporting purposes, the utilization of the RRS pre-acquisition net operating loss carryforward has been reflected as a reduction of the values assigned to noncurrent assets of RRS in purchase accounting, until such time as the Company adopts Statement of Financial Accounting Standards No.109 "Accounting for Income Taxes." The Company provided taxes using a 42.0% effective tax rate based on the Company's anticipated earnings for the entire current fiscal year. In the prior year, the company used an effective tax rate of 42.5%.

(5) Subsequent Event:

On May 14, 1992, the Company's wholesale division sold the business and certain assets of its food service operations. The assets included the fleet and warehouse facility utilized by this operation, as well as certain food service inventory. The Company does not expect to recognize any significant gain or loss on this transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company's total sales during the third quarter of fiscal 1992, decreased 3.1% over the same period last year. Year-to-date the Company's sales have decreased 3.9% between years. The Company attributes this sales decline primarily to the general poor economic environment, increased competition and the closing of one of the Company's retail stores in the fourth quarter of fiscal 1991.

As a percentage of sales, gross margin for the third quarter declined as the Company utilized increased promotional activities to help maintain sales levels. The third quarter economic climate made it difficult to maintain margin levels while protecting market share. Year-to-date, gross margin as a percentage of sales remains consistent between years. The Company has been able to partially offset pressure on gross margin via improved retail merchandising and aggressive forward inventory buying. The provision for LIFO remained the same between years both in the third quarter and year-to-date.

Selling, general and administrative expenses decreased from $44.5 million for the third quarter of fiscal 1991 to $44.2 million for the third quarter of fiscal 1992. Year-to-date, these expenses decreased from $151.0 million in fiscal 1991 to $148.2 million in the current year. This was due primarily to costs attributed to one closed operating store and management's programs to reduce variable expenses in reaction to reduced sales. As a percentage of sales, selling, general and administrative expenses increased from 19.3% in the third quarter of fiscal 1991 to 19.8% in the third quarter of fiscal 1992, and from 19.2% in fiscal 1991 to 19.6% year-to-date. This increase in percentage is due to the relationship of declining sales versus fixed expenses of depreciation, occupancy and utilities.

The decrease in interest expense compared to the third quarter of fiscal 1991 and year-to-date resulted from reduced borrowings and lower interest rates.

For the first three quarters of fiscal 1992, the Company provided taxes using a 42% effective tax rate. This rate is based on the Company's expected federal, state and local statutory tax rates adjusted for permanent items for the 1992 fiscal year.

Liquidity and Sources of Capital

Cash decreased $183,000 since fiscal year-end. The Company's ratio of current assets to current liabilities was 1.41 at the end of the third quarter of 1992 as compared to 1.38 at fiscal year-end. Inventories decreased by $3.9 million while accounts receivable decreased $1.9 million. The inventory and receivable decreases represent normal seasonal trends.

Normal remodelling and updating of retail units and the warehouse facilities utilized $14.6 million of cash. The Company acquired two (2) new retail locations at the end of the third quarter. The Company also closed one (1) location subsequent to the end of the third quarter. Although the Company intends to continue to remodel and update its stores and facilities, no significant commitments for capital expenditures exist at April 4, 1992. The Company believes that the revolving credit facility along with funds to be provided from operations will be sufficient for current operating needs and anticipated capital requirements.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

RINI-REGO SUPERMARKETS, INC.
(Registrant)

Anthony C. Rego

May 18, 1992 By: Anthony C. Rego
President

May 18, 1992 By: Ronald W. Ocasek
Treasurer

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Q-35122

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

SEC MAIL
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Commission File No. 0-7181

Q92-2237

ROCHESTER & PITTSBURGH COAL COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of incorporation or organization)

25-0761480
(I.R.S. Employer Identification No.)

655 Church Street, Indiana, Pennsylvania
(Address of principal executive offices)

15701
(Zip Code)

Registrant's telephone number, including area code: 412/349-5800

Not Applicable
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes __x__ No _____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____

130

APPLICABLE ONLY TO CORPORATE ISSUERS: Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of April 30, 1992. 3,441,908 shares.

8/3:H

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ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands)

	March 31 1992	December 31 1991
ASSETS		
Current Assets		
Cash and cash equivalents	$ 39,728	$ 63,535
Short-term investments	10,152	7,749
Receivables	22,213	16,634
Coal inventories and other current assets	7,009	9,345
Total Current Assets	79,102	97,263
Other Assets		
Investment in marketable securities	84,716	66,694
Funding for:		
Workers' compensation benefits	16,810	16,098
Mine closing reserves	13,663	13,199
Receivable from customers designated for funding of workers' compensation liabilities	6,856	7,970
Deferred income taxes	9,558	9,503
Miscellaneous	13,577	12,806
	145,180	126,270
Property, plant, and equipment	228,925	230,464
Less allowances for depreciation, depletion, and amortization	151,354	151,775
	77,571	78,689
	$ 301,853	$ 302,222
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 9,922	$ 10,339
Accrued liabilities	16,285	13,743
Short-term note payable	2,000	-0-
Current maturities of long-term debt	1,492	1,925
Total Current Liabilities	29,699	26,007
Other Liabilities and Long-Term Debt		
Workers' compensation benefits	33,743	33,819
Mine closing reserves	13,884	13,243
Other post employment benefit liability	6,808	6,968
Miscellaneous	5,043	4,212
Long-term debt (less current maturities)	9,642	13,778
	69,120	72,020
Shareholders' Equity		
Common stock issued, 3,989,121 shares	59,837	59,837
Capital in excess of stated value	133,195	133,195
Retained earnings	37,809	36,028
	230,841	229,060
Less treasury stock at cost - 547,213 and 478,608 shares	27,807	24,865
	203,034	204,195
	$ 301,853	$ 302,222

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Amounts in thousands, except for outstanding shares and per share amounts)

	Three Months Ended March 31	
	1992	1991
Production Tonnage*	1,644	1,773
Sales Tonnage**	1,691	2,297
Sales	$ 57,857	$ 81,706
Other Income:		
Interest, dividends and net investment gains	2,127	2,048
Miscellaneous	662	482
	60,646	84,236
Costs and Expenses:		
Cost of sales	48,963	71,496
Depreciation, depletion, and amortization	3,094	3,626
Selling, general, and administrative	2,010	2,214
Interest	285	580
Miscellaneous	406	701
	54,758	78,617
Income Before Income Taxes	5,888	5,619
Income Taxes	1,770	1,786
Net Income	$ 4,118	$ 3,833
Net Income Per Share***	$ 1.19	$ 1.06
Average shares outstanding used in the computation of per share amounts***	3,472,313	3,602,137
Shares issued and outstanding at March 31***	3,441,908	3,577,651
Cash dividends declared per share***	$ .30	$ .273

* Production tonnage does not include 420,000 and 480,000 tons in the first quarter of 1992 and 1991, respectively, at operations owned by others and managed by the Company. Such tonnage is not included in sales tonnage.

** Sales tonnage includes coal purchased from others for resale.

*** Adjusted for the 10% stock dividend paid December 2, 1991.

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Three Months Ended March 31	
	1992	1991
OPERATING ACTIVITIES		
Net income	$ 4,118	$ 3,833
Adjustments for non-cash items	2,905	3,194
Changes in certain assets and liabilities (using) or providing cash	(125)	4,193
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,898	11,220
INVESTING ACTIVITIES		
Proceeds from sale of investments	24,183	5,374
Acquisition of investments	(44,572)	(26,266)
Acquisition of property, plant, and equipment	(1,966)	(8,990)
Proceeds from sale of property, plant, and equipment	117	77
NET CASH USED IN INVESTING ACTIVITIES	(22,238)	(29,805)
FINANCING ACTIVITIES		
Proceeds from line of credit and long-term borrowings	21,250	19,500
Payments on line of credit and long-term borrowings	(23,819)	(18,797)
Cash dividends paid	(2,956)	(2,787)
Acquisition of treasury stock	(2,942)	(2,184)
NET CASH USED IN FINANCING ACTIVITIES	(8,467)	(4,268)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(23,807)	(22,853)
Cash and cash equivalents at beginning of year	63,535	68,115
CASH AND CASH EQUIVALENTS AT MARCH 31	$ 39,728	$ 45,262

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	1992	1991
Interest paid	$ 296	$ 339
Income taxes paid	$ 456	$ 2,720

See accompanying notes to consolidated condensed financial statements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
March 31, 1992

Note A - Basis for Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Certain accounts in the consolidated condensed financial statements for prior years have been reclassified to conform to the statement presentation for the current year. These reclassifications have no effect on net income. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10K for the year ended December 31, 1991.

Note B

The Company's wholly owned subsidiary, The Florence Mining Company, was sold in October, 1991. The Consolidated Condensed Statements of Income for the first quarter of 1991 included sales, cost of sales, and income before income taxes for Florence of $27,944,000, $26,617,000, and $1,399,000, respectively.

Note C - Long-Term Debt

The status of long-term debt at March 31, 1992 and December 31, 1991 is as follows:

	March 31, 1992	December 31, 1991
	(In thousands)	
Keystone:		
Revolving credit note	$ -0-	$ 7,000
Term note	3,040	-0-
Helvetia:		
Revolving credit note	4,500	7,000
Term note	1,995	-0-
Capitalized lease obligations	1,599	1,703
	11,134	15,703
Less current maturities	1,492	1,925
	$ 9,642	$ 13,778

Aggregate maturities on long-term debt as of March 31, 1992 for the next five years are as follows: 1992 - $1,116,000; 1993 - $2,015,000; 1994 - $3,047,000; 1995 - $3,895,000; and 1996 - $1,060,000.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION
March 31, 1992

The following is Management's discussion and analysis of certain significant factors which have affected the Company's (1) earnings during the periods included in the accompanying Consolidated Condensed Statements of Income and (2) financial position since December 31, 1991:

Results of Operations

The majority of the Company's sales revenue is derived through sales made by subsidiaries under long-term sales agreements. Sales prices are based on the cost of production plus profit determined under formulas providing for incentives for reduced costs.

The Florence Mining Company subsidiary, which was sold in October, 1991 (see Note B), produced 239,000 tons for sale in the first quarter of 1991 and purchased an additional 493,000 tons for resale during the same period. As compared to the first quarter of 1991, production, sales volume, and profit improved at the Company's deep mine subsidiaries in 1992 due to improvements in productivity. During the first quarter of 1991, these operations had been affected by adverse mining conditions which resulted in higher operating costs.

Deliveries to customers during the first quarter of 1992 were proportionately higher than those scheduled for the remainder of the year which has proportionately less days operating due to vacation and holidays.

Pennsylvania Mines Corporation closed its Greenwich mines in March, 1992. The Company's agreement to manage these operations for Pennsylvania Mines Corporation terminated with the closing of the mines. Income before income taxes relating to this management agreement was $363,000 and $699,000 in the first quarters of 1992 and 1991, respectively.

Depreciation expense has decreased primarily due to the sale of Florence, while interest expense has decreased due to lower amounts borrowed, also mainly caused by the sale of Florence, and lower interest rates.

The Company's effective income tax rate is somewhat lower in 1992 due primarily to a decrease in the proportion of non-mining income, which is taxed at higher effective rates than mining income.

Liquidity and Capital Resources

During the quarter, the Company increased its investments in marketable securities maturing in excess of one year which are classified as noncurrent assets. These investments extended the average term of all investments held and also had the affect of reducing cash and cash equivalents as shown in the Consolidated Condensed Statements of Cash Flows. Overall, the Company's financial position remained strong through the first quarter of 1992.

In March 1992, the Company's wholly owned subsidiaries, Keystone Coal Mining Corporation and Helvetia Coal Company, have entered into agreements with a commercial bank to provide for term notes totaling $5,300,000 in addition to the existing revolving credit and line of credit facilities. These term notes are payable in equal quarterly installments through December 31, 1996 and bear interest at the prime rate. The Parent Company has no liability on these notes. The related interest expense is recoverable as a cost of production under the long-term coal sales agreements.

ROCHESTER & PITTSBURGH COAL COMPANY
AND SUBSIDIARIES

PART II: OTHER INFORMATION

Item 5: Other Information.

Stock Purchases:

During the quarter, the Company purchased 68,605 shares of the Company's Common Stock at a total aggregate price of $2,942,662.80. Prior to said purchases there were 3,510,573 shares of the Company's Common Stock outstanding. After the purchases and as of April 30, 1992, 3,441,908 shares of the Company's Common Stock were outstanding.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROCHESTER & PITTSBURGH COAL COMPANY

Thomas W Garges Jr

Thomas W. Garges, Jr.
President and Chief Executive Officer

George M Evans

George M. Evans
Vice President and Treasurer

Date: May 14, 1992

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

R92-2237

FORM 10–Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from .... to ....

For the Quarter Ended January 31, 1992

Commission file number 0-14100

SCIENTIFIC MEASUREMENT SYSTEMS, INC.

(Exact name of Registrant as specified in charter)

TEXAS (State or other jurisdiction of incorporation or organization)	74-2048763 (I.R.S. Employer Identification No.)
2209 Donley Drive, Austin, Texas (Address of principal executive offices)	78758 (Zip Code)

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Registrant's telephone number, including area code: (512) [illegible]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for the shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practical date:

Title of Class	Shares Outstanding as of February 29, 1992
$0.05 Par Value Common Stock	12,880,355

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Part I - Financial Information

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Six Months Ended January 31, 1992 and 1991 4

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Part II - Other Financial Information

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Condensed Balance Sheet
($000)

	January 31, 1992	July 31, 1991
ASSETS		
Current Assets:		
Cash	$ 210	$ 274
Restricted cash	100	100
Trade accounts receivable, net	746	982
Costs and earned profits on long-term contracts in excess of related billings	247	72
Inventories, net	321	358
Prepaid expenses	16	38
Total current assets	1,640	1,824
Property and equipment, net	1,171	1,236
Other assets	26	21
	$ 2,837	$ 3,081
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	$ 100	$ 100
Current installments of obligations under capital leases	6	9
Current installments of long-term debt	42	40
Accounts payable and accrued expenses	514	544
Billings in excess of related costs and earned profits on long-term contracts	25	-
Total current liabilities	687	693
Obligations under capital leases, less current installments	-	2
Long-term debt, less current installments	716	738
Total liabilities	1,403	1,433
Stockholders' equity:		
Preferred stock of $0.15 par value; 2,000,000 shares authorized, none issued	-	-
Common stock of $0.05 par value, 40,000,000 shares authorized; 12,880,355 shares issued and outstanding	644	644
Additional paid-in capital	8,307	8,307
Deficit	(7,517)	(7,303)
Total stockholders' equity	1,434	1,648
	$ 2,837	$ 3,081

The accompanying notes are an integral part of these financial statements.

Condensed Statement of Operations
($000 except per share amounts)

	Three Months Ended 1-31-92	Three Months Ended 1-31-91	Six Months Ended 1-31-92	Six Months Ended 1-31-91
Contract revenues:				
Tomographic system sales	$ 716	$ 454	$ 1,294	$ 1,093
Service contracts	113	291	147	524
Total revenues	829	745	1,441	1,617
Direct contract costs	524	392	992	966
Gross profit	305	353	449	651
Operating costs:				
Marketing	99	63	182	177
Research and Development	34	32	80	58
General and administrative	164	177	373	480
Total operating cost	297	272	635	715
Earnings (loss) from operations	8	81	(186)	(64)
Other expense (income):				
Interest expense	18	19	37	48
Interest and other income	(4)	(10)	(9)	(18)
Other - net	14	9	28	30
Earnings (loss) before federal income taxes	(6)	72	(214)	(94)
Provision in lieu of federal income taxes	-	-	-	-
Net earnings (loss)	$ (6)	$ 72	$ (214)	$ (94)
Weighted average shares outstanding	12,880	12,880	12,880	12,880
Net earnings (loss) per share	$ 0.00	$ 0.01	$ (0.02)	$ (0.01)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows
($000)

	Six Months Ended 1-31-92	Six Months Ended 1-31-91
Cash flows from (used in) operating activities:		
Cash received from customers	$ 1,541	$ 2,787
Cash paid to suppliers, subcontractors and employees	(1,550)	(1,916)
Interest received	9	18
Interest paid	(37)	(49)
Net cash flows from (used in) operating activities	(37)	840
Cash flows used in investing activities:		
Capital expenditures	(2)	(15)
Net cash flows used in investing activities	(2)	(15)
Cash flows from (used in) financing activities:		
Net borrowings from banks	-	(475)
Release of certificate of deposit pledged on borrowing from bank	-	100
Principal payments on long-term debt	(20)	(22)
Principal payments under capital lease obligation	(5)	(4)
Net cash flows used in financing activities	(25)	(401)
Net increase (decrease) in cash and cash equivalents	(64)	424
Cash and cash equivalents at beginning of period	274	203
Cash and cash equivalents at end of period	$ 210	$ 627

(Continued)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows, Continued
($000)

	Six Months Ended 1-31-92	Six Months Ended 1-31-91
Reconciliation of net loss to cash flows from (used in) operating activities:		
Net loss	$ (214)	$ (94)
Adjustments to reconcile net loss to cash flows from (used in) operating activities:		
Depreciation and amortization	62	75
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	236	972
Retainage receivable	-	326
Inventory	37	(5)
Costs and earned profits on long-term contracts in excess of related billings	(175)	87
Prepaid expenses and other assets	22	21
Increase (decrease) in liabilities:		
Billings in excess of related costs and earned profits on long-term contracts	25	(215)
Accounts payable and accrued expense	(30)	(327)
Net cash flows from (used in) operating activities:	$ (37)	$ 840

Disclosure of accounting policy:

For purposes of reporting cash flows, cash and cash equivalents include cash, interest bearing deposits, certificates of deposit and investment securities with less than a 30-day stated maturity.

The accompanying notes are an integral part of these financial statements.

Notes to Condensed Financial Statements

(1) The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. It is the opinion of management that all adjustments and eliminations necessary for a fair presentation of financial position and results of operations for such periods have been included, and that such adjustments and eliminations are only of a normal, recurring type. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed financial statements should be read in conjunction with the financial statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the year ended July 31, 1991 as filed with the Securities and Exchange Commission.

During fiscal 1991 and the first half of fiscal 1992 the Company experienced losses due to low sales volume. Management believes it must take steps to increase revenues, either from system sales or other sources, to maintain positive cash flows from operations. Revenues during the first half of fiscal 1992 were not sufficient to generate positive cash flows from operations. Should revenues continue to be insufficient to generate positive cash flows from operations, further reductions in operating costs will be necessary in order to provide sufficient liquidity to meet the Company's working capital needs. These financial statments do not include any adjustments which may be associated with such reductions in operating costs.

(2) Earnings per share is calculated by dividing earnings by the weighted average number of common shares outstanding during each period.

(3) A significant portion ($250,000) of the Company's accounts receivable as of January 31, 1992 corresponds to a single contract which has been cancelled by the customer. See Note 7 to the financial statements contained in the Company's Annual Report on Form 10-K for the year ended July 31, 1991 as filed with the Securities and Exchange Commission.

(4) Inventories are classified as follows (in thousands):

	January 31, 1992	July 31, 1991
Raw materials	$ 19	$ 12
Work in progress	52	84
Finished goods	263	262
Less: Reserve for obsolescence	(13)	-
	$321	$358

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following tables set forth items from the Company's statement of operations as a percentage of total revenues and as a percentage change from the prior year period, for the three months and six months period:

Three Months Ended January 31

	1992			1991		
	Dollar Amount (000s)	% of Total Revenue	% Change from Prior Year	Dollar Amount (000s)	% of Total Revenue	% Change from Prior Year
Contract revenues:						
Tomographic system sales	716	86.4%	57.7%	454	60.9%	-76.6%
Service contracts	113	13.6%	-61.2%	291	39.1%	334.3%
Total revenues	829	100.0%	11.3%	745	100.0%	-62.8%
Direct contract costs	524	63.2%	33.7%	392	52.6%	-71.3%
Gross profit	305	36.8%	-13.6%	353	47.4%	-44.5%
Operating costs:						
Marketing	99	11.9%	57.1%	63	8.5%	-67.0%
General and administrative	198	23.9%	-5.3%	209	28.1%	-28.4%
Total operating costs	297	35.8%	9.2%	272	36.5%	-3.7%
Earnings from operations	8	1.0%	-90.1%	81	10.9%	-47.1%
Other expense (income):						
Interest expense	18	2.2%	-5.3%	19	2.6%	-13.6%
Interest and other income	(4)	1.0%	-60.0%	(10)	1.3%	150.0%
Other - net	14	1.7%	55.6%	9	1.2%	-50.0%
Net earnings (loss)	(6)	1.0%	-108.3%	72	9.7%	-46.7%

Six Months Ended January 31

	1992			1991		
	Dollar Amount (000s)	% of Total Revenue	% Change from Prior Year	Dollar Amount (000s)	% of Total Revenue	% Change from Prior Year
Contract revenues:						
Tomographic system sales	1,294	89.8%	18.4%	1,093	67.6%	-67.8%
Service contracts	147	10.2%	-71.9%	524	32.4%	380.7%
Total revenues	1,441	100.0%	-10.9%	1,617	100.0%	-53.8%
Direct contract costs	992	68.8%	2.7%	966	59.7%	-60.5%
Gross profit	449	31.2%	-31.2%	651	40.3%	-38.3%
Operating costs:						
Marketing	182	12.6%	2.8%	177	10.9%	-43.3%
General and administrative	453	31.5%	-15.8%	538	33.3%	-5.6%
Total operating costs	635	44.1%	-11.2%	715	44.2%	-18.9%
Loss from operations	(186)	12.9%	190.6%	(64)	4.0%	-136.9%
Other expense (income):						
Interest expense	37	2.6%	-22.9%	48	3.0%	9.1%
Interest income	(9)	1.0%	-50.0%	(18)	1.1%	5.9%
Other - net	28	1.9%	-6.7%	30	1.9%	11.1%
Net earnings (loss)	(214)	14.9%	127.7%	(94)	5.8%	-164.4%

Results of Operations

Revenue

Revenues from tomographic system sales increased 57.7% from $454,000 in the second quarter of fiscal 1991 to $716,000 in the second quarter of fiscal 1992. This increase is due primarily to $437,000 of revenue recognized during the second quarter of fiscal 1992 under a contract to build a standard CT system for a large government contractor. Research and development revenues as well as maintenance and upgrade revenues during the second quarter of fiscal 1992 were $93,000 and $110,000, respectively, which are comparable to revenues reported in the second quarter of fiscal 1991.

Service revenues of $113,000 for the second quarter of fiscal 1992 reflect a 61.2% decrease over service revenues in the second quarter of fiscal 1991. This decrease is due in part to a large, non-recurring scanning contract which was completed in the second quarter of fiscal 1991.

Gross Margin

Gross profit margin on total sales fell from 47.4% in the second quarter of fiscal 1991 to 36.8% in the second quarter of fiscal 1992. Although labor and material costs have remained stable over this period, changes in the Company's product mix have resulted in this decline in gross profit margins. The manufacture of standard products is expected to allow the Company to maintain satisfactory profit margins on system sales despite competitive pressures in the CT market. An increase in the services portion of the Company's revenue mix is also expected to result in stable gross profit margins through the end of the fiscal year.

Other Operating Costs

Marketing costs as a percent of total revenue increased from 10.9% in the first half of fiscal 1991 to 12.6% in the first half of fiscal 1992. The Company is aggressively pursuing customers in the CT market in an effort to stimulate system sales. Additionally, the Company continues to explore new applications for its technology and new sources of revenue for its Scanning Services operations.

General and administrative costs fell from 33.3% of revenue in the first half of fiscal 1991 to 31.5% in the first half of fiscal 1992, reflecting management's emphasis on cost control in response to low sales volume. The Company continues to evaluate company-wide spending levels and plans to continue to reduce discretionary spending where appropriate.

Backlog

At January 31, 1992 total contract backlog was $396,000, consisting of $98,000 for system sales, $52,000 for research and development contracts, $126,000 for maintenance and upgrades, and $120,000 for scanning services. This represents a decline in total backlog from $1,100,000 as of January 31, 1991. Because of the sophisticated nature of the Company's technology and the high cost of the Company's CT systems, discussions with potential customers leading to the sale of a system are typically long and complex. It is possible, despite the Company's emphasis on marketing, that the Company will receive no additional orders for system sales during the remainder of fiscal 1992.

Liquidity and Capital Resources

Cash Flow

Cash flows from operations were negative $37,000 for the first half of fiscal 1992, which is substantially below the positive cash flows from operations of $840,000 for the first half of fiscal 1991. Collection of retainages associated with system sales in fiscal 1990 account for the positive cash flows in the first half of fiscal 1991. Revenues during the first half of fiscal 1992 were not sufficient to generate positive cash flows from operations.

Liquidity

As of February 29, 1992, the Company had a cash balance of $157,000 and accounts receivable of $581,000, of which $250,000 is associated with a government contract which was cancelled as discussed in Note 7 to the Company's Annual Report on Form 10-K for the year ended July 31, 1991 as filed with the Securities and Exchange Commission. These cash and receivable balances are the Company's primary sources of liquidity. The Company's working capital guarantee of $1,000,000 through the Export/Import Bank of the U.S. as well as the guarantee for a line of credit for $250,000 with a commercial bank have both expired under their own terms. Management believes it can successfully renew these credit facilities at such time as new orders for system sales are received.

During fiscal 1991 and the first half of fiscal 1992 the Company experienced losses due to low sales volume. Management believes it must take steps to increase revenues, either from system sales or other sources, to maintain positive cash flows from operations. In the event that the Company does not receive new orders for system sales, management expects revenues from service contracts to be sufficient to provide for the Company's working capital needs through the end of the fiscal year. As noted above, revenues during the first half of fiscal 1992 were not sufficient to generate positive cash flows from operations. Should revenues continue to be insufficient to generate positive cash flows from operations, further reductions in operating costs will be necessary in order to provide sufficient liquidity to meet the Company's working capital needs.

Capital Expenditures

Capital expenditures for the first half of fiscal 1992 were $2,000 which is substantially below capital expenditures of $15,000 during the first half of fiscal 1991. Consistent with the Company's overall spending control efforts, capital spending is expected to be minimal throughout the remainder of the fiscal year.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

As of January 31, 1992, the Company was not a party to any pending lawsuits and was not aware of any such proceedings known to be contemplated by governmental authorities or others.

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

None

Item 5 - Other Information

None

Item 6 - Exhibits and Reports on Form 8-K

a) Exhibits - None

b) Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCIENTIFIC MEASUREMENT SYSTEMS, INC.

by Larry Secrest
Larry Secrest
President, Chief Executive Officer,
and acting Chief Financial and
Accounting Officer

by George Edwards

George A. Edwards, Jr.
Vice President
Secretary - Treasurer

March 13, 1992

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended March 31, 1992 Commission file number 0-11401

SECURITY CHICAGO CORP.
(Exact Name of Registrant as Specified In Its Charter)

Delaware	**36-3236203**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
196 E. Pearson, Chicago, Illinois	**60611**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code **312-280-0360**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES _X_ NO ___

Indicate the number of shares outstanding of each the Registrant's classes of common stock, as of the latest practicable date: **221,170 shares** of common stock, Par Value $5.00 per share, at March 31, 1992

Class	Outstanding at March 31, 1992
Common Stock, par value $5.00	221,170 shares (excluding 23,603 shares held as treasury shares)

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SECURITY CHICAGO CORPORATION
AND SUBSIDIARY

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SECURITY CHICAGO CORP. AND SUBSIDIARY
Unaudited
Consolidated Balance Sheets
(000)

	Mar 31 1992	Dec 31 1991	Mar 31 1991
ASSETS			
Cash and due from banks	$ 6,468	$ 6,017	$ 4,520
Federal funds sold	13,000	13,000	10,500
Total cash and cash equivalents	19,468	19,017	15,020
Investment securities	17,067	14,148	17,386
Minority interest in banking operation	1,451	1,397	1,207
Loans, net of unearned discount and deferred loan fees	34,985	34,752	39,367
Allowances for loan losses	(401)	(394)	(386)
	34,584	34,358	38,981
Leasehold improvements and equipment, net	333	308	348
Accrued interest and other assets	936	914	1,331
	$ 73,839	$ 70,142	$ 74,273
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits			
Noninterest-bearing	$ 14,485	$ 14,572	$ 12,916
Interest-bearing	51,753	48,537	54,467
Total deposits	66,238	63,109	67,383
Demand note payable	240	125	125
Accrued interest and other liabilities	1,146	665	792
Total liabilities	67,624	63,899	68,300
Stockholders' equity			
Common stock, par value $5; 1,000,000 shares authorized; 240,000 shares issued	1,200	1,200	1,200
Surplus	1,200	1,200	1,200
Retained earnings	4,220	4,129	3,859
Treasury stock, at cost (23,603 & 18,830 shares in 1992 & 1991 respectively)	(405)	(286)	(286)
Total stockholders' equity	6,215	6,243	5,973
	$ 73,839	$ 70,142	$ 74,273

See accompanying notes.

SECURITY CHICAGO CORP. AND SUBSIDIARY
Unaudited
Consolidated Statements of Income
(000)

	Three months ended March 31	
	1992	1991
INTEREST INCOME		
Interest and fees on loans	$ 825	$ 1,055
Interest on investment securities		
U.S. Treasury securities	110	149
U.S. Agency and other obligations	123	183
State and municipal obligations	41	52
Interest on federal funds sold	147	80
	1,246	1,519
INTEREST EXPENSE		
Interest on deposits	588	791
Interest on borrowed funds	3	3
	591	794
Net interest income	655	725
Provision for possible loan losses	6	6
	649	719
OTHER INCOME		
Service fees	182	117
Income from minority investment	65	40
Other income	24	42
	271	199
OTHER EXPENSES		
Salaries and employee benefits	329	330
Occupancy and equipment expenses	140	149
Advertising and public relations	17	9
Stationery and postage	27	29
Computer service fees	35	41
Other operating expenses	132	150
	680	708
Income before taxes	240	210
Applicable income taxes	61	51
Net income	$ 179	$ 159
Earnings per share of common stock based on daily weighted average shares outstanding	$0.82	$0.72

See accompanying notes.

SECURITY CHICAGO CORP. AND SUBSIDIARY

Unaudited

Consolidated Statement of Changes in Stockholders' Equity for Three Months Ended March 31, 1992 and 1991

(000)

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Total Equity
BALANCE, DECEMBER 31, 1991	$1,200	$ 1,200	$ 4,129	$ (286)	$ 6,243
Net income for three months ended March 31, 1992			179		179
Cash dividends paid			(88)		(88)
Purchase of 4,773 shares of treasury stock				(119)	(119)
BALANCE, MARCH 31, 1992	1,200	1,200	4,220	(405)	6,215

	Common Stock	Surplus	Retained Earnings	Treasury Stock	Total Equity
BALANCE, DECEMBER 31, 1990	$1,200	$ 1,200	$ 3,700	$ (286)	$ 5,814
Net income for three months ended March 31, 1991	0	0	159	0	159
BALANCE, MARCH 31, 1991	1,200	1,200	3,859	(286)	5,973

See accompanying notes.

SECURITY CHICAGO CORP. AND SUBSIDIARY
Unaudited
Consolidated Statements of Cash Flows
(000)

	Three months ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 179	$ 159
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for depreciation and amortization	28	43
Provision for loan losses	6	2
Accretion of investment securities, net of premium amortization	5	(54)
Equity income in unrelated bank holding company	(54)	(30)
(Increase) in interest receivable	(17)	(8)
Increase in interest payable	122	66
Increase in deferred loan fees	0	9
(Increase) decrease in other assets	137	(27)
(Decrease) in other liabilities	(73)	(43)
Total adjustments	154	(117)
Net cash provided by operating activities	333	53
Cash flows from investing activities		
Proceeds from sales/maturity of invest.securities	1,500	1,655
Purchases of investment securities	(3,993)	0
Net decrease in loans made to customers	103	1,305
Purchases of equipment	(25)	(10)
Net cash provided by (used in) investing activities	(2,415)	2,950
Cash flows from financing activities		
Net increase in demand deposits, Now & Savings	4,413	3,521
Net decrease in Cerficates of Deposit	(1,305)	(1,010)
Cash dividends paid	(88)	0
Net cash provided by (used in) financing activities	3,020	2,511
Net increase (decrease) in cash & cash equivalents	451	5,578
Cash and cash equivalents at beginning of quarter	19,017	9,442
Cash and cash equivalents at end of quarter	$ 19,468	$ 15,020
Supplemental disclosure of cash flow information		
Cash paid during year for:		
Interest on deposits and other borrowings	$ 591	$ 728
Income taxes	$ 61	$ 121

See accompanying notes.

SECURITY CHICAGO CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1. Security Chicago Corporation ("the Corporation") is a one bank holding company which owns 100% of the voting stock of First Security Bank of Chicago ("The Bank") a state chartered commercial bank located in Chicago, Illinois. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of normally re-occurring items) necessary to present fairly Security Chicago Corporation's financial position as of March 31, 1992 and December 31, 1991 and March 31, 1991 and the results of its operations and cash flows for the periods ended March 31, 1992 and 1991 and changes in stockholders' equity for the three month periods ended March 31, 1992 and 1991.

The results of operations for the period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

The financial statements and notes are presented as permitted by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes.

Note 2. Minority interest in banking operation represents a 20% interest in the outstanding shares of First State Bancorp of Princeton, Illinois, Inc., ("Princeton") a multibank holding company of First State Bank of Princeton and First Bank & Trust Company of Gridley, Illinois.The Corporation utilizes the equity method of accounting for this investment. The following is selected consolidated information of Princeton.

	1992	1991
Assets	$120,033	$108,828
Liabilities	112,829	102,771
Stockholders' Equity	7,204	6,057
Net Interest Income	1,030	840
Income before extraordinary item and income taxes	416	241
Extraordinary item - tax benefit realized from utilization of net operating loss carryforward	-	74
Income Taxes	92	74
Net Income	324	241

Note 3. First Security Bank of Chicago has letter of credit commitments totaling approximately $2.6 million as of March 31, 1992.

SECURITY CHICAGO CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Consolidated net income of the Corporation totaled $179,000 or $0.82 per share and $159,000 or $0.72 per share for the three months ended March 31, 1992 and 1991 respectively. The $20,000 increase of net income in 1992 iss approximately 12.5% over the 1991 net income. Several significant factors led to the change in net income. In general, fee income and operating expenses reflected favorable changes, while net interest income changed unfavorably.

Net interest income totaled $650,000 compared to $725,000 in 1991. This $70,000 reduction is mostly attributable to a lower level of average earning assets during 1992. On average the loan and investment portfolios were approximately $3.1 million lower during 1992 than 1991. This is a direct result of declining loan demand that was experienced throughout the last six months of 1991. This trend is not expected to continue. Lower levels of interest rates have caused a rise in loan demand during March and April of 1992. Interest rates on earning assets and interest bearing liabilities were substantially lower in 1992 than 1991 as a result of movements in the general level of interest rates nationally. As can be seen in the chart below, the effect of changes in interest rates had relatively little effect upon the Corporation's net interest income.

Favorable (Unfavorable) Changes In Net Interest Income
In Thousands

	Three Months 1992 over 1991		
Daily Average Balance	Volume	Rate	Total
Earning Assets	$(70)	$(212)	$(282)
Interest Bearing Liabilities	8	204	212
	$(62)	$ (8)	$(70)

Other income increased by $72,000 or 36% in 1992 compared to 1991. Approximately $15,000 of this increase is attributable to improvements in the earnings on the minority investment in Princeton. The other $57,000 improvement in other income is attributable to retail banking fee increases established in the third quarter of 1991 and the inauguration of mortgage banking activity during the fourth quarter of 1991.

Total other expenses declined by $28,000 or 4.% during 1992. Of this amount $15,000 reflects the reduced useage by the Bank of consultants. During the first quarter of 1991 the Bank had engaged consultants in connection with a then pending merger transaction. Useage of consultants declined during the balance of 1991 and 1992.

The Corporations assets approximated $74 million on March 31, 1992 and 1991. While total assets remained relatively unchanged, there were changes in the composition of assets and liabilities. The Corporation's liquidity increased from March 31, 1991 when cash and cash equivalents totaled $15 million to $19 million at December 31, 1991. This level of liquidity remained fairly constant during 1992 and is directly related to weak loan demand discussed above. Total loans declined by approximately $4 million between March 31, 1991 and March 31, 1992 largely as a result of customers refinancing existing mortgage debt with long term mortgage loan products that the Corporation did not offer.

The Corporation's allowance for loan losses totaled $401,000 as of March 31, 1992 or 1.15% of net loans outstanding compared to $386,000 or .98% as of March 31, 1991, and $394,000 or 1.13% as of December 31, 1991.

Total deposits approximated $6 million as of March 31, 1992 and are relatively unchanged from the March 1991 level and up $3 million from December 31, 1991. Deposits declined throughout the last half of 1991 in line with the nationwide flow of pounds out of banking deposits into money market funds offered by investment banking concerns. This trend hass abated during 1992 and the Corporation has experienced growth of approximately $3 million in deposits in the current year.

The Corporation's equity capital grew to $6.2 million at March 31, 1992 compared to $5.9 million at March 31, 1992. As of March 31, 1992 the Corporation's primary capital equaled 8.9% which compares favorably with the 8.4% primary capital to asset ratio at March 31, 1991.

Part II Other Information

Item 6. Exhibits and Reports on Form 8-K.

- a. Exhibits - none
- b. Reports on Form 8-K - none

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant had duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SECURITY CHICAGO CORP.

Robert P Fahey

Robert P. Fahey
Chief Executive Officer
May 14, 1992

O'Sullivan

Sarah G. O'Sullivan
Chief Accounting Officer
May 14, 1992

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

T92-2235

OR

[ ] TRANSITION REPORT PURSUANT TO SECTIOF 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
12-13-X
MAY 15 1992

For the transition period from ____________ to ____________
Commission file number 33-30967-NY

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TARIS, INC.
(Exact name of registrant as specified in i

Delaware
State or other jurisdiction of incorporation or organization)

22-2594719
(I.R.S. Employer Identification No.)

c/o Gary B. Wolff, P.C.,747 Third Avenue, 25th Floor, New York, NY 10017
(Address of principle executive offices)
(Zip Code)

(212) 644-6446
(Registrants telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ____

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of each of the registrant's classes of common stock, as of April 27, 1992 is 37,045,000 shares, all of one class of $.0001 par value common stock.

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TARIS INC.
(A Development Stage Company)

BALANCE SHEET

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS		
Cash	$113,040	$119,573
Interest receivable	594	-
Prepaid taxes	270	313
TOTAL CURRENT ASSETS	113,904	119,886
OTHER ASSETS		
Organization costs	1,212	1,212
	$115,116	$121,098

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES		
Accrued expenses	$ 507	$ 686
TOTAL CURRENT LIABILITIES	507	686
STOCKHOLDERS' EQUITY		
Common stock, $.0001 par value		
Authorized, 100,000,000 shares		
Issued and outstanding, 37,045,000 shares	3,704	3,704
Paid-in capital	136,659	136,659
Deficit	(25,754)	(19,951)
	114,609	120,412
	$115,116	$121,098

See accompanying notes to financial statements.

TARIS INC.
(A Development Stage Company)

STATEMENT OF OPERATIONS

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)	Year Ended December 31, 1991	September 12, 1985 (Inception) to March 31, 1992 (Unaudited)
INTEREST INCOME	$ 1,235	$ 2,317	$ 7,101	$ 17,509
EXPENSES				
Consulting fees	-	-	5,000	5,000
Dues and subscriptions	815	-	446	3,657
Travel and entertainment	550	303	1,702	3,651
Professional fees	5,409	9,360	20,232	27,911
Taxes	100	100	100	295
Telephone	82	-	358	1,495
Miscellaneous	-	300	875	936
	6,956	10,063	28,713	42,945
LOSS BEFORE INCOME TAXES	(5,721)	(7,746)	(21,612)	(25,436)
INCOME TAXES (REFUND)	82	(252)	(227)	318
NET LOSS	$ (5,803)	$ (7,494)	$ (21,385)	$ (25,754)
LOSS PER COMMON SHARE	$ .00	$ .00	$ .00	$ .00
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	37,045,000	37,045,000	37,045,000	20,457,342

See accompanying notes to financial statements.

TARIS INC.
(A Development Stage Company)

STATEMENT OF STOCKHOLDERS' EQUITY

JANUARY 1, 1988 to MARCH 31, 1992

	Common Stock		Paid-in Capital	Retained Earnings (Deficit)
	Shares	Amount		
BALANCE, January 1, 1988	100,000	$ 10	$ 762	$ -
Paid-in capital	-	-	215	-
BALANCE, December 31, 1988	100,000	10	977	-
Issuance of common stock for cash	31,900,000	3,190	47,035	-
Net earnings	-	-	-	1,533
BALANCE, December 31, 1989	32,000,000	3,200	48,012	1,533
Net loss	-	-	-	(99)
Issuance of common stock for cash	5,045,000	504	88,647	-
BALANCE, December 31, 1990	37,045,000	3,704	136,659	1,434
Net loss	-	-	-	(21,385)
BALANCE, December 31, 1991	37,045,000	3,704	136,659	(19,951)
Net loss	-	-	-	(5,803)
BALANCE, March 31, 1992	37,045,000	$3,704	$136,659	$(25,754)

See accompanying notes to financial statements.

TARIS INC.
(A Development Stage Company)

STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)	Year Ended December 31, 1991	September 12, 1985 (Inception) to March 31, 1992 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	$ (5,803)	$ (7,494)	$(21,385)	$(25,754)
Changes in operating assets and liabilities				
(Increase) decrease in interest receivable	(594)	(1,948)	90	(594)
(Increase) decrease in prepaid taxes	43	(252)	(227)	(270)
Increase in organization costs	-	-	-	(1,212)
Increase (decrease) in accrued expenses	(179)	6,600	686	507
Net cash used-in operating activities	(6,533)	(3,094)	(20,836)	(27,323)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of common stock	-	-	-	3,704
Proceeds from paid-in capital	-	-	-	136,659
Proceeds from (repayment to) officer loan	-	-	(850)	-
Net cash provided by (used-in) financing activities	-	-	(850)	140,363
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,533)	(3,094)	(21,686)	113,040
CASH AND CASH EQUIVALENTS, beginning of period	119,573	141,259	141,259	-
CASH AND CASH EQUIVALENTS, end of period	$113,040	$138,165	$119,573	$113,040

See accompanying notes to financial statements.

TARIS INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1992 AND DECEMBER 31, 1991

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

Taris Inc. was incorporated in Delaware on September 12, 1985. The Company is inactive and remains in the development stage. It has not commenced commercial operations, and has no operating history. Activities to date have been limited to the sale of its securities and to the planning necessary before commencing its proposed operations. Its only source of income is from a temporary investment of capital.

From inception in September of 1985 through August 31, 1989 the Company issued a total of 32,000,000 shares of its Common Stock for cash in the amount of $51,212. On June 7, 1990 the Company issued an additional 5,045,000 shares of its Common Stock for cash in the amount of $89,151 (net of public offering expenses).

BASIS OF ACCOUNTING

The Company maintains its records on the accrual basis of accounting. Income is recorded when earned and expenses are recorded when incurred.

ORGANIZATION COSTS

All costs incurred by the Company in connection with its incorporation and organization have been capitalized and will be amortized over a period of sixty months after it has commenced operations.

EXPENSES RELATED TO THE PUBLIC OFFERING

All costs incurred by the Company in connection with the public offering of the Company's securities has been charged to paid-in capital.

CASH EQUIVALENTS

For balance sheet and cash flow purposes, the Company considers all certificates of deposits purchased with a maturity of three months or less to be cash equivalents.

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of Common Stock and Common Stock Equivalents outstanding during the period. Common Stock Equivalents represent the shares issuable upon exercise of Redeemable Warrants.

INCOME TAXES

Details of income taxes are as follows:

	Three Months Ended March 31, 1992 (Unaudited)	Three Months Ended March 31, 1991 (Unaudited)	Year Ended December 31, 1991	September 12, 1985 (Inception) to March 31, 1992 (Unaudited)
Federal (credit)	$ -	$(252)	$(252)	$ -
State	82	-	25	318
	$ 82	$(252)	$(227)	$318

At March 31, 1992, the Company has loss carryforward for tax purposes of $19,951 that may be offset against future taxable income, if any. The carryforward losses expire in the year 2006 if not fully utilized.

COMMITMENTS AND CONTINGENCIES

The Company has been inactive since its inception and is currently in the development stage. There are no commitments or contingencies as of the date of this report.

The Company presently maintains its executive office rent free at the office of its counsel, pursuant to month to month oral sublease agreement with Gary B. Wolff, P.C. and shall continue to maintain such office, rent free, until June 30, 1992.

CAPITAL STOCK

On June 7, 1990, the Company sold 5,045,000 units for $89,151, net of public offering expenses of $62,249. Each unit consisted of one share of Common Stock and two Redeemable Warrants to purchase two shares of Common Stock. Each of the Redeemable Warrants is detachable, transferable, and exercisable, and each of the Redeemable Warrants expire on December 7, 1994 unless earlier redeemed by the Company as hereinafter indicated. The two Redeemable Common Stock Purchase Warrants consist of a Class A Warrant exercisable at $.20 per share and a Class B Warrant exercisable at $.30 per share. The Warrants are redeemable by the Company at $.0001, per Warrant upon 30 days written notice and expire December 7, 1994.

An additional 504,500 Warrants were issued to the Company's underwriter for a nominal consideration ($50). Each underwriter's Unit consists of one share of Common Stock (purchasable at $.0375), and two Warrants to purchase two shares of Common Stock; a Class A Warrant exercisable at $.20 per share and a Class B Warrant exercisable at $.30 per share. The underwriter's Warrants are exercisable for a period of 48 months commencing December 7, 1990 and expiring December 7, 1994.

RELATED PARTY TRANSACTION

The Company's President, Pat Catizone, advanced $850 to the Company on July 13, 1989. The loan was repaid on May 13, 1991 with no interest. In September 1991, Pat Catizone, the Company's President was paid a consulting fee of $5,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company is a Development Stage Company as defined in Financial Accounting Standard Board Statement No. 7. The Company's activities have been limited to the sale of its securitites and to the planning necessary before commencing its proposed operations. Its' principal operations have not commenced and, accordingly, no significant revenue has been derived therefrom. The Company's only source of revenue has been from a temporary investment of capital.

The Company, as of March 31, 1992, had total assets of $115,116 and total liabilities of $507. From its inception (September 12, 1985) through March 31, 1992, the Company has incurred losses totaling $25,754. The Company's assets are kept in highly liquid form. By placing the Company's funds in relatively liquid assets, the Company balances its need to have quick access to its assets in the form of cash (for carrying out the Company's purpose of acquiring existing businesses and/or business assets at any time that an appropriate opportunity arises) with the desire to earn interest income at competitive rates to help defray ongoing administrative costs.

As of March 31, 1992, the Company did not have any current material commitments for capital expenditures. Its capital is considered adequate for all intended or anticipated administrative expenses.

PART II

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Defaults Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - The Company held its Annual Meeting of Stockholders on March 31, 1992 pursuant to solicitation of proxies. The Company's then current directors were both reelected to serve as directors until the next Annual Meeting of Stockholders and until their successors are elected and qualified. Such persons are Pat Catizone and Joseph Conforte. The only other matter voted upon at the Annual Meeting was the ratification of the selection of Armus, Harrison & Co., P.C., as the Company's independent public accountants.

The Trust Company of New Jersey, which tabulated the proxies that it received, indicated that it had received proxies totaling 34,420,000 shares and that "All proxies received are voting affirmative on the two proposals". No negative votes whatsoever were received by the Company.

The Proxy, Notice of Meeting and Information Statement - all as mailed to Company shareholders (of record as February 28, 1992) on or about March 13, 1992 - were filed with the SEC on March 16, 1992 under Form 8 (amendment #1 to Annual Report on Form 10-K).

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K - None

SIGNATURES

Pursuant to the requirements of the Securities Exchanges Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TARIS, INC.

5/14/92
(Date)

By Pat Catizone, Pres.
Pat Catizone, President

5/14/92
(Date)

By Joseph Corforte
Joseph Corforte, Secretary-Treasurer
(Principal Financial Officer)

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

- - - - - - - - - - - - - -

For July 31, 1991 Commission File Number 2-68701

TECHSCIENCE INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-2298015
(I.R.S. Employer Identification No.)

27 McDermott Place
Bergenfield, NJ
Address of principal executive offices

07621
Zip Code

Registrant's telephone number, including area code: 201-385-8371

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No_____

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(APPLICABLE ONLY TO CORPORATE ISSUERS):

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: June 12, 1991 - 5,117,750 shares.

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TECHSCIENCE INDUSTRIES, INC.

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Part I - Financial Information (unaudited)

Balance Sheet at July 31, 1991 2

Statement of Operations for the period from Inception (November 29, 1978) to October 31, 1990, for the nine months ended July 31, 1991, and for the cumulative period from inception to July 31, 1991. 4

Statement of Stockholders' Investment for the period from inception (November 29, 1978) to October 31, 1990 and for the nine months ended July 31, 1991. 5

Statement of Changes in Financial Position for the period from inception (November 29, 1978) to October 31, 1990 for six months ended April 30, 1991 and for the cumulative period from inception to April 30, 1991. 6

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TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES
(Development Stage Companies)

CONSOLIDATED BALANCE SHEET

ASSETS

	July 31, 1991
CURRENT ASSETS:	
Cash	$ 38,000
Investment in money market fund	-
Prepaid expenses and other current assets	-
Total Current Assets	$ 38,000
PROPERTY AND EQUIPMENT:	
Automobile	$ 6,000
Office Equipment	1,500
	$ 7,500
LESS: Accumulated Depreciation	(500)
OTHER ASSETS:	
Other	$ 250
	$ 250
	$ 45,250

LIABILITIES AND STOCKHOLDERS'EQUITY

CURRENT LIABILITIES:	
Accounts Payable and Accrued Expenses	$ 272,000
STOCKHOLDERS' EQUITY	
Common Stock, $.01 par value: Authorized - 10,000,000 Shares issued and outstanding 5,117,750 Shares	$ 45,678
Capital in Excess of Par Value	1,027,387
Deficit Accumulated During the Development Stage	(1,232,561)
Total Stockholders' Equity	$ (47,750)

TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Inception 11/29/78 to 10/31/90	9 Months Ended 7/31/91	6 Months Ended 4/30/91	Inception 11/29/78 to 7/31,91
INTEREST INCOME	$	$ 0	$ 0	$ 686,293
SERVICE INCOME	70,568	0	0	70,568
TOTAL	$ 756,861	$ 0	$ 0	$ 756,861
COSTS AND EXPENSES:				
Compensation to officers	$ 813,605	$ 103,375	$ 73,375	916,980
Consulting fee to officers	19,500	-	-	19,500
Other salaries	172,828	2,150	4,150	176,978
Payroll taxes	77,266	-	-	77,266
Travel and entertainment	123,813	1,625	4,625	131,438
Professional fees	131,340	4,000	2,500	135,340
Office and telephone expenses	152,646	3,216	2,716	155,862
Consulting fees	127,201	1,500	1,500	128,701
Rent	111,706	7,200	4,800	118,906
Depreciation and amortization	64,293	-		
Automobile expenses	23,836	3,477	2,977	27,313
Dues and subscriptions	21,536	75	150	21,656
Taxes and other income	14,581	-	-	14,581
Research and Development	7,000	-	-	7,000
Other	95,346	4,050	3,450	98,796
Income Taxes	14,895	-	-	14,845
Minority interest in net loss of subsidiary	(22,717)	(4,012)	-	(26,729)
	$ 1,948,675	$ 79,931	0	$ 2,467,156
LOSS FROM CONTINUING OPERATIONS	$(1,192,636)	$ (79,931)	$ (97,931)	$(1,232,561)
DISCONTINUED OPERATIONS:				
Equity in loss of General Fiber Optics, Inc.	$ (44,910)	-	-	(44,910)
Gain on liquidation of General Fiber Optics, Inc.	92,879	-	-	92,879
LOSS BEFORE EXTRAORDINARY ITEM	$(1,147,726)	$ (79,931)	$ (97,931)	$(1,280,530)
XTRAORDINARY ITEM - TAX BENEFIT OF NET OPERATING LOSS CARRY FORWARD	8,400	-	-	8,400
ET LOSS	$(1,139,326)	$ (79,931)	$ (97,931)	$(1,288,930)

TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES
(Development Stage Companies)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'EQUITY

	Common Stock			
	Number of Shares Issued	Amount	Capital in Excess of Par Value	Deficit Accumulate During Developmen Stage
Balances at October 31,1986	4,567,750	$45,578	$1,027,384	$ (537,999)
YEAR ENDED OCTOBER 31,1987 Net Loss	-	-	-	(173,152)
Balances at October 31,1987	4,567,750	45,678	1,027,384	(711,151)
YEAR ENDED OCTOBER 31,1988 Net Loss	-	-	-	(82,241)
Balances at October 31,1988	4,567,750	45,678	1,027,384	(793,392)
YEAR ENDED OCTOBER 30,1989 Net Loss	-	-	-	(70,110)
Balance at October 31,1990	4,567,750	45,672	1,027,384	(863,502
NINE MONTHS ENDED MARCH 30,1991	550,000	-	-	-
BALANCE July 31, 1991	5,117,750	$45,678	$1,027,384	$1,288,930

TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES
Development State Companies

CONSOLIDATED STATEMENTS OF CASH FLOWS

SH FLOWS FROM OPERATING ACTIVITIES:	From inception 11/29/78 to 4/30/91	Six Mos. Ended 4/30/91	Three Mos. Ended 1/31/91	From inception 11/29/78 to 4/30/91
Net Loss	$1,200,152	$ (60,826)	$ (37,105)	$ 1,200,152
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and Amortization	64,816	0	0	64,816
Minority interest in dividends of subsidiary	(2,454)	0	0	(2,454
Loss on sale of disposal of equipment	2,308	0	0	(2,308
Minority interest in loss of subsidiary	(22,717)	0	0	(22,717
Equity in loss of affiliate	44,910	0	0	(44,910
Gain on liquidation of affiliate	(72,879)	0	0	(72,879
hanges in Operating Assets and Liabilities:				
Decrease (increase) in prepaid expenses and other current assets	(10,235)	$ (4,050)	(4,050)	(14,544
Increase (decrease) in accounts payable and accrued expenses	13,360	(2,861)	(2,195)	7,668
Increase in other assets	7,091	0	0	(7,091
ther	(4,334)	312	198	$4,473
cash used in operating activities	$(1,132,528	$ 67,425)	$ (43,152)	$(1,204,608
H FLOWS FROM INVESTING ACTIVITIES:				
cquisitions of property and equipment	(75,577)	$ (1,000)	$ (1,000)	$ (75,577
dvances to General Fiber Optics	0	0	0	
roceeds from sale of subsidiary's common stock	141,600	0	0	141,600
et proceeds from liquidation of affiliate	37,879	0	0	37,879
nvestment in affiliate	13,619	0	0	44,910
Net cash provided by (used in) investing activities	$ 72,611	$ (1,000)	$ (1,000)	$ 58,992

TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES
Development State Companies

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

ASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of common stock and warrants	$1,385,444	$ 50,000	$ 0	$1,435,444
Net borrowings under notes payable to affiliates	-	0	0	0
Dividends paid	(466,327)	0	0	(466,327
Contribution of liability to stockholders	5,158	0	0	5,158
Net cash provided by financing activities	$ 924,275	$ 50,000	$ 0	$ 974,275
ET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 1,560	$ (17,425)	$ (43,152)	$ 50,000
ASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	0	0	0
ASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,560	$ (17,425)	$ (43,152)	$ 50,000

TECHSCIENCE INDUSTRIES, INC. AND SUBSIDIARIES

(A Development Stage Company)
Notes to Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended October 31, 1990.

Summary of Significant Accounting Policies Principles of Consolidation

The consolidated financial statements include the accounts of Techscience Industries, Inc. and its majority-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Nature of the Business

The Company was incorporated on November 29, 1978 for the purpose of developing and selling a solid waste disposal process which converts municipal solid waste into marketable recyclables and fertilizer by a specialized material separation and composting process. Since inception, the Company has been in the development stage and has had no operating revenues. The Company is pursuing a plan of acquisitions, mergers or joint ventures which include businesses other than waste disposal.

Property and Equipment

Property and equipment are stated at cost. The Company provides for depreciation of office equipment generally on the straight-line method over the estimated useful lives of five to eight years. Depreciation of automobiles is provided using the straight line method over an estimated useful life of four years.

Investment in Affiliate

During the year ended October 31, 1987, the Company owned 58% of the common stock of General Fiber Optics, Inc. ("GFO"). As GFO disposed of substantially all of its assets subsequent to October 31, 1987, the Company has decided to account for this investment on the cost method because it is considered a temporary investment. In prior years, using the equity method, this investment was written down to zero.

Earnings (Loss) per Share

Earnings (loss) per share are based upon the weighted average number of shares of common stock and equivalents outstanding. No effect has been given to outstanding warrants and options, as the effect would cause additional dilution.

Note 3 - Common Stock

The Company adopted a stock option plan in May 1984, covering 450,000 shares of its common stock. Options granted under the plan may either be Non-qualified or Incentive Stock Options, as defined in the Internal Revenue Code, at the discretion of the Board of Directors. The plan is administered by a committee of the Board of Directors. The committee determines (1) the number of shares subject to each option, (2) the exercise price, which will not be less than 100% of the fair market value of the common stock on the date of grant (110% in the case of employees owning 10% or more of the outstanding common stock) and (3) the duration of the option, which cannot exceed ten years for Non-qualified Options and seven years for Incentive Stock Options. After one year from grant, 20% of the options may be exercised each year on a cumulative basis. As of October 31, 1991, Non-qualified options to purchase 80,000 shares at $.75 per share until October 31, 1991 were outstanding under this plan. No options were exercised during the year ended October 31,

In July 1983, one of the Company's subsidiaries adopted a stock option plan, identical to the Company's plan, covering 450,000 shares. At october 31, 1991, Non-qualifed Options to purchase 150,000 shares of the subsidiary's common stock at $.50 per share until October 31, 1990 were outstanding. No options were exercised during the year ended October 31,

Note 4 - Income Taxes

The Company and its subsidiaries file separate federal income tax returns. At October 31, 1991. the Company and its subsidiaries had approximately $75,000 in combined net operating losses to be carried forward to offset future taxable income through 2002.

Note 5 - Leases

The following is a schedule of future minimum rental payments for office space, required for all non-cancellable operating leases that have initial or remaining lease terms in excess of one year at October 31, 1992:

Year Ending October 31,	Minimum Rental Payments
1992	$8,100

Note 6 - Current Events

On January 8, 1988, General Fiber Optics, Inc., the Company's 58% owned subsidiary, sold all of its assets for the sum of $367,500 plus stock. After a major shareholder's contribution of stock to treasury, Techscience, Inc. now owns a 90% interest in General Fiber Optics, Inc. Management liquidated GFO in 1989.

In January and April of 1991 the Company issued 250,000 and 300,000 common shares respectively to Directors and Consultants for an aggregate of 50,000 and for services rendered.

SIGNATURE PAGE

Pursuant to the requirements of Section 12, 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TECHSCIENCE INDUSTRIES, INC.

By __________________________
Joseph W. Hafesh
President, Director,
Chairman and Treasurer
(Principal Executive
Officer, Chief Financial
and Accounting Officer)

DATED: September 10, 1991

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Pursuant To Section 13 o
15(d) of The Securities Exchange Act of 19

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V92-2237

For Quarter Ended January 31, 1992   Commission file number 0-8422

TRANSACT INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of incorporation or organization)

06-0732124
(I.R.S. Employer Identification No.)

20 Thorndal Circle, Darien, Connecticut
(Address of principal executive offices)

06820
(Zip Code)

Registrant's telephone number, including area code (203) 656-0777

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X . NO____.

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of March 11, 1992

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6,093,235 shares of Common Stock, no par value.

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TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

FORM 10 Q - Quarter Ended January 31, 1992

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PART I: FINANCIAL INFORMATION

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, 1992	April 30, 1991
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash	$ 33,220	$ 341,001
Accounts receivable, net of allowance for doubtful accounts of $50,000 and $36,200	465,803	1,861,542
Inventories	1,019,022	991,727
Billings in excess of costs and estimated earnings on uncompleted contracts	2,315,389	2,188,050
Prepaid expenses and other current assets	190,858	140,801
TOTAL CURRENT ASSETS	4,024,292	5,523,121
PROPERTY, PLANT AND EQUIPMENT, at cost	2,223,184	2,178,358
less accumulated depreciation	(1,712,783)	(1,580,039)
	510,401	598,319
Other assets	225,400	358,257
	$4,760,093	$6,479,697
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	$ 960,000	$ 960,000
Accounts payable	1,600,348	2,694,000
Accrued expenses	724,070	685,100
Costs and estimated earnings in excess of billings on uncompleted contracts	205,156	-
Current maturities of long-term debt	7,130	16,218
TOTAL CURRENT LIABILITIES	3,496,704	4,355,318
STOCKHOLDERS' EQUITY		
Preferred stock, no par value, authorized 2,000,000 shares, none issued	-	-
Common stock, no par value, authorized 12,000,000 shares, issued 6,171,735	849,541	849,541
Additional paid-in capital	5,224,727	5,224,727
Treasury stock, at cost: 78,500 shares	(29,606)	(29,606)
Deficit	(4,781,273)	(3,920,283)
TOTAL STOCKHOLDERS' EQUITY	1,263,389	2,124,379
	$4,760,093	$6,479,697

See notes to consolidated financial statements.

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended January 31		Nine Months Ended January 31,	
	1992	1991	1992	1991
	(Unaudited)			
NET SALES	$1,797,493	$2,912,415	$9,553,977	$8,839,834
COSTS AND EXPENSES:				
Cost of Sales	1,998,280	2,762,247	8,678,351	7,526,245
Selling & Administration	659,227	494,758	1,711,067	1,486,142
	2,657,507	3,257,005	10,389,418	9,012,387
LOSS FROM OPERATIONS	(860,014)	(344,590)	(835,441)	(172,553)
OTHER INCOME (EXPENSES):				
Interest expense	(21,462)	(8,040)	(67,555)	(31,670)
Other income	6,146	8,310	42,006	26,028
	(15,316)	270	(25,549)	(5,642)
NET LOSS	$ (875,330)	$ (344,320)	$ (860,990)	$ (173,195)
NET LOSS PER SHARE OF COMMON STOCK	$ (0.14)	$ (0.06)	$ (0.14)	$ (0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING	6,093,235	6,093,235	6,093,235	6,093,235

See notes to consolidated financial statements.

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended January 31, 1992	Nine Months Ended January 31, 1991
	-------(Unaudited)	------
OPERATING ACTIVITIES:		
Net Loss	$ (860,990)	$ (178,195)
Adjustments to reconcile net income to net cash:		
Depreciation of property, plant and equipment	132,744	143,729
Amortization of intangibles	132,571	56,100
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	1,395,739	102,268
(Increase) in inventories	(27,295)	(576,786)
(Increase) decrease in other current assets	(50,057)	93,303
(Increase) decrease in revenue recognized in excess of billings on uncompleted contracts, net	77,817	(274,275)
(Increase) in other assets	-	(269,795)
Increase (decrease) in accounts payable and accrued expenses	(1,054,682)	1,000,018
NET CASH (USED IN) PROVIDED FROM OPERATIONS	(254,153)	96,367
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(44,826)	(85,075)
Other investments	286	-
NET CASH USED IN INVESTING	(44,540)	(85,075)
FINANCING ACTIVITIES:		
Net proceeds (repayments) of short-term borrowings	-	240,000
Repayment of debt	(9,088)	(35,957)
NET CASH USED IN FINANCING ACTIVITIES	(9,088)	(204,043)
NET INCREASE (DECREASE) IN CASH	(307,781)	215,335
CASH, BEGINNING OF YEAR	341,001	12,233
CASH, AT END OF PERIOD	$ 33,220	$ 227,568
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period		
Interest	$ 68,635	$ 33,942
Income taxes	-	-

See notes to consolidated financial statements.

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. The consolidated balance sheet as of January 31, 1992, the consolidated statements of operations and the consolidated statements of cash flows for the three and nine months ended January 31, 1992 and January 31, 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, the results of operations and changes in financial position at January 31, 1992 and all periods presented have been made.

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 1991 annual report to stockholders. Seasonality is not a major factor in the Company's operations. The results of operations for the three and nine month period ended January 31, 1992 are not necessarily indicative of those for a full fiscal year.

2. Inventories consist of raw materials and manufacturing supplies at January 31, 1992 and April 30, 1991.

3. Amounts per share have been computed using the weighted average number of common shares outstanding during each period. No effect has been given to shares issuable pursuant to outstanding options as their effect would be antidilutive.

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

Sales for the third quarter of 1992 decreased 38% to $1,797,493 as compared to the third quarter of 1992 sales of $2,912,415. During the quarter the Company completed work at Dover Air Force Base. Sales for the nine months of 1992 increased 8% to $9,553,997 from $8,839,834 reported for the same period last year.

Gross margins decreased significantly in both the three and nine month periods of 1992 as compared to the comparable periods of 1992. The decrease in the third quarter was principally attributable to low sales volume and cost overruns in completing two prototype transporters for the United States Air Force. Cost overruns in connection with the contract for equipment installed at the United States Air Force Base in Dover, Delaware negatively impacted both the three and nine month periods of 1992.

Selling and administrative expenses increased for both the three and nine months ended January 31, 1992 as compared to the three and nine months ended January 31, 1991. Selling and administrative expenses for the third quarter of 1992 include approximately $65,000 in costs related to the settlement of a Northstar Corporation ("Northstar") lease guarantee which Northstar defaulted on. The Company sold the Common and Preferred Stock of Northstar in July of 1989. Selling and administrative expenses also increased as a result of increased marketing efforts and normal inflationary factors. These increases more than offset the reduced expenses resulting from the suspension of our marketing efforts for computerized robotic car parking.

Interest expense was higher for the three and nine months of fiscal 1992 as compared to the comparable periods of 1991 as the Company had higher levels of short-term bank borrowings during this year.

LIQUIDITY AND CAPITAL RESOURCES:

Working capital decreased $640,215 in the first nine months of 1992. The Company does not anticipate any material capital expenditures and plans to finance its operations by generating cash from operations and possible financing of its facility in Memphis, Tennessee.

SALES BACKLOG:

The Company's sales backlog decreased to approximately $4.8 million as of January 31, 1992, this compares to a $12.6 million backlog as of January 31, 1991.

PART II: OTHER INFORMATION

TRANSACT INTERNATIONAL INC. AND SUBSIDIARIES

Item 6. Exhibits and Reports of Form 8-K.

(a) Exhibits - None.
(b) Reports on Form 8-K - None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSACT INTERNATIONAL INC.
Registrant

Date: March 13, 1992

Frank B. Carder
President

Date: March 13, 1992

John P. Nicoletti
Vice President, Finance

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED MARCH 31, 1992

Commission file number 0-16182

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VERNITRON CORPORATION
(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	**11-1962029** (I.R.S. Employer Identification Number)
645 Madison Avenue **New York, New York** (Address of principal executive offices)	**10022** (Zip Code)

Registrant's telephone number, including area code: (212) 593-7900

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes _X_ No __

5,185,070 shares of Common Stock, $.01 par value, were outstanding as of April 24, 1992.

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VERNITRON CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

VERNITRON CORPORATION

Condensed Consolidated Statements of Operations

(Dollars in thousands, except per share data)
(Unaudited)

	Quarter Ended March 31,	
	1992	1991
Net sales	$ 17,681	$ 20,042
Cost of sales	13,510	15,552
Selling, general and administrative expenses	3,775	3,897
Amortization of intangible assets	51	189
Operating income	345	404
Interest expense - net	677	918
Other (income) expense - net	4	31
Loss before taxes	(336)	(545)
Provision for taxes	-	-
Net loss	(336)	(545)
Preferred stock dividends	16	-
Net loss applied to common shareholders' equity	$ (352)	$ (545)
Net loss per common share	$ (.07)	$ (.23)
Weighted average common shares outstanding	5,171,000	2,400,000

VERNITRON CORPORATION

Condensed Consolidated Balance Sheets

(Dollars in thousands)

	March 31, 1992 (Unaudited)	December 31, 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 329	$ 29
Accounts receivable - net	9,888	10,525
Inventories	21,769	21,323
Other current assets	1,682	1,797
TOTAL CURRENT ASSETS	33,668	33,674
PROPERTY, PLANT AND EQUIPMENT - net	12,580	12,635
EXCESS OF COST OVER NET ASSETS ACQUIRED - net	7,408	7,459
OTHER ASSETS	233	247
TOTAL ASSETS	$53,889	$54,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 5,641	$ 5,116
Current portion of long-term debt	630	630
Revolving credit facility	26,350	1,500
Accrued expenses and other liabilities	6,708	6,937
TOTAL CURRENT LIABILITIES	39,329	14,183
LONG-TERM DEBT, less current portion	1,870	1,870
REVOLVING CREDIT FACILITY	-	24,836
OTHER LONG-TERM LIABILITIES	2,533	2,616
DEFERRED INCOME	1,014	1,047
SHAREHOLDERS' EQUITY:		
Preferred Stock, issued and outstanding 434,115 shares in 1992 and 415,593 shares in 1991	4	4
Common Stock, issued and outstanding 5,185,070 shares in 1992 and 5,170,671 in 1991	52	52
Capital in Excess of Par	9,423	9,407
Accumulated Deficit (since December 31, 1991)	(336)	-
TOTAL SHAREHOLDERS' EQUITY	9,143	9,463
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$53,889	$54,015

See notes to condensed consolidated financial statements.

VERNITRON CORPORATION
Condensed Consolidated Statements of Cash Flows
(Dollars in thousands)
(Unaudited)

	Quarter Ended March 31, 1992	Quarter Ended March 31, 1991
Cash flows from operating activities:		
Net loss	$ (336)	$ (545)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization of property, plant and equipment	334	426
Amortization of deferred financing costs and intangible assets	94	268
Decrease in current assets, other than cash	267	1,219
Increase (decrease) in current liabilities	296	(967)
Other - net	(106)	(167)
Net cash provided by operating activities	549	234
Cash flows from investing activities:		
Capital expenditures	(279)	(584)
Net cash used in investing activities	(279)	(584)
Cash flows from financing activities:		
Proceeds from revolving credit borrowings	1,000	436
Repayment of revolving credit borrowings	(986)	-
Other, net	16	-
Net cash provided by financing activities	30	436
Net increase in cash	300	86
Cash at beginning of period	29	224
Cash at end of period	$ 329	$ 310

See notes to condensed consolidated financial statements

VERNITRON CORPORATION

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation (consisting of normal recurring accruals) have been included. Operating results for the quarter ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K fo the year ended December 31, 1991.

Certain items in the 1991 financial statements have been reclassified to conform to the 1992 presentation and to give effect to the reverse split of the Company's common stock.

At December 31, 1991, the Company elected to adjust its balance sheet to fair value and to transfer the accumulated deficit of $14.1 million to capital in excess of par in accordance with quasi-reorganization accounting principles. The principal adjustment to fair value was a reduction in the carrying value of excess of cost over net assets acquired of $16.2 million.

Per share data for the periods are based upon the weighted average number of common shares outstanding during such periods, retroactively adjusted for a reverse stock split which was effected on June 20, 1991, whereby all outstanding shares of the Company's common stock immediately prior to the reverse split became 2,400,000 shares of common stock. Outstanding common stock options or warrants have not been included in the computations of per share as they would be anti-dilutive.

The 1991 Exchange Offer eliminated the mandatory redemption provision of the $3.75 Cumulative Exchangeable Redeemable Preferred Stock. The accumulation of undeclared pay-in-kind dividends was also eliminated as part of the amendment of this security. Accordingly, preferred stock accretion of $189,000 and accumulated undeclared pay-in-kind dividends at estimated fair market value of $230,000 previously deducted in arriving at net loss applied to common shareholders' equity for the first quarter of 1991 have now been excluded and earnings per share reflect this change.

Total interest paid for the quarters ended March 31, 1992 and 1991 was $578,000 and $911,000, respectively. The Company had net income tax payments of $26,000 for the quarter ended March 31, 1992 and received net refunds of $91,000 for the quarter ended March 31, 1991.

Note 2 - Inventories

Interim inventories have been determined generally by lower of estimated cost (first-in, first-out or average) or market. Inventories consist of:

	March 31, 1992	December 31, 1991
	(Dollars in thousands)	
Raw materials	$ 6,901	$ 6,915
Work-in-process	6,917	6,278
Finished goods	7,951	8,130
	$21,769	$21,323

Note 3 - Other Information

Selected balance sheet account disclosures follow:

	March 31, 1992	December 31, 1991
Allowance for doubtful accounts	$ 395	$ 466
Accumulated depreciation and amortization of property, plant and equipment	$ 334	$ -
Accumulated amortization of excess of cost over net assets acquired	$ 51	$ -

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter Ended March 31, 1992 Compared to the Quarter Ended March 31, 1991

Consolidated sales for the first quarter of 1992 were $17,681,000 or $2,361,000 below the comparable quarter in 1991. Precision Components sales were down by $1.3 million on lower shipments of trimmers, transformers and microwave components as a result of general economic conditions. Connector and bearings shipments were almost equal to prior year levels.

Motion Control shipments were $1.1 million lower in 1992 reflecting the decline in motor and potentiometer bookings in the second half of 1991. The general slowdown in U.S. government agency procurements, fewer major defense programs and the nonrecurring shipment of past due backlog in the first quarter of 1991 account for the sales decline.

Operating income was $59,000 lower in 1992 compared with the first quarter of 1991. The quasi-reorganization effected as of December 31, 1991, resulted in a $138,000 reduction in the charge for amortization of intangible assets and a $92,000 reduction in depreciation in the first quarter of 1992. Cost reduction and productivity improvements allowed the Motion Control products group to maintain its income contribution despite the $1.1 million drop in Motion Control product sales.

The Precision Components products group, with $1.3 million less in shipments, accounted for the decline in operating income. Price increases in selected product lines and continued productivity improvements offset some of the variable margin lost on lower precision components sales.

Interest expense for the quarter was $680,000 or $283,000 less than the prior year's quarter because of more than $3 million in lower average borrowings and the effect of lower average interest rates.

Weighted average common shares outstanding increased to 5,171,000 in 1992 from 2,400,000 in 1991 as a result of the August 1991 offer to exchange newly issued common stock for preferred stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity and Capital Resources

The balance of $26,350,000 outstanding at March 31, 1992 under the revolving credit facility was reclassified to current liabilities since the $27 million facility is scheduled to mature on March 31, 1993. The Company believes that the facility will continue to be extended or refinanced on satisfactory terms prior to its scheduled maturity and that cash generated from operations, including reductions in working capital, will continue to be sufficient to meet its capital expenditure and working capital requirements and to reduce borrowings.

The Company had no material commitments for capital expenditures as of March 31, 1992.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

None.

b) Reports on Form 8-K

During the quarter ended March 31, 1992, the Registrant did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, 1992

VERNITRON CORPORATION

By: Edward M. Murchie
Edward M. Murchie
President and Chief Operating Officer

By:
John F. Rein, Jr.
Controller and Chief Accounting Officer

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter ended January 31, 1992   Commission file number 2-65101

WALNUT EQUIPMENT LEASING CO., INC.

(Exact name of registrant as specified in its charter)

DELAWARE	23-1712443
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Suite 2128, 101 W. City Avenue, Bala Cynwyd, Pennsylvania 19004
(Address of Principal executive offices) (Zip Code)

(215) 668-0700
(800) 866-0809
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceeding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No....

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date: $1.00 par value common stock - 1,000 shares.

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WALNUT EQUIPMENT LEASING CO., INC.

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WALNUT EQUIPMENT LEASING CO., INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 31, 1992 (unaudited)	April 30, 1991
ASSETS		
Direct finance Leases:		
Aggregate future amounts receivable under Lease contracts	$ 19,767,362	$ 16,297,123
Estimated residual value of equipment	1,942,127	1,699,909
Less:		
Unearned income under Lease contracts	(4,113,639)	(3,242,758)
Advance payments	(592,798)	(554,265)
	17,003,052	14,200,009
Allowance for doubtful Lease receivables	(1,614,363)	(1,634,618)
	15,388,689	12,565,391
Operating Leases:		
Equipment at cost, Less accumulated depreciation of $167,786 and $166,285, respectively	6,309	6,339
Accounts receivable, Less allowances for doubtful accounts of $0 and $4,767, respectively	19,697	11,006
Cash	437,397	1,312,378
Other assets (includes $666,875 paid to or receivable from related parties at April 30, 1991.)	1,080,897	996,542
Total assets	$ 16,932,989	$ 14,891,656
LIABILITIES		
Amounts payable to equipment suppliers	$ 739,356	$ 518,368
Other accounts payable and accrued expenses	284,448	212,456
Demand, Fixed Rate and Money Market Thrift Certificates (includes $132,761 at April 30, 1991 payable to related parties)	11,209,010	8,777,787
Senior Thrift Certificates (includes $249,725 at April 30, 1991 payable to related parties)	11,115,718	9,631,291
Subordinated Thrift Certificates (includes $465,052 at April 30, 1991 payable to related parties)	6,516,484	7,046,487
Accrued interest	3,065,918	2,625,222
Subordinated debentures (includes $4,000 at April 30, 1991 payable to related parties)	7,718	11,500
State income taxes payable	15,891	17,492
	32,954,561	28,860,603
SHAREHOLDERS' DEFICIT		
Prime Rate Cumulative Preferred Shares, $1 par value, $100 per share liquidation preference, 50,000 shares authorized, 281 shares, issued and outstanding (liquidation preference $28,100)	3,176	5,283
Adjustable Rate Cumulative Preferred Shares, $1 par value, $1000 per share liquidation preference. 1,000 shares authorized, 275 shares issued and outstanding (liquidation preference $275,000)	275	275
Common stock, $1.00 par value, 1,000 shares authorized, issued and outstanding	101,500	101,500
Accumulated Deficit	(16,126,503)	(14,056,005)
	(16,021,552)	(13,948,967)
Total liabilities and shareholders' deficit	$16,932,989	$14,891,656

See accompanying notes

WALNUT EQUIPMENT LEASING CO., INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Nine Months Ended January 31,		For The Three Months Ended January 31	
	1992 (unaudited)	1991 (unaudited)	1992 (unaudited)	1991 (unaudited)
Revenue:				
Income earned under direct finance lease contracts	$2,676,693	$2,128,386	$954,924	$751,127
Operating lease rentals	3,304	(1,860)	2,111	(758)
Total revenue	2,679,997	2,126,526	957,035	750,369
Costs and expenses:				
Interest	2,380,731	2,052,187	822,376	705,260
Lease origination expenses	696,115	714,267	252,806	242,045
General and administrative expenses	1,359,234	1,249,156	477,160	448,586
Provision for doubtful lease receivables	307,300	296,980	107,551	104,902
Depreciation of operating lease equipment	1,030	1,035	330	300
Total costs and expenses	4,744,410	4,313,625	1,660,223	1,501,093
Loss from operations (before provision for income tax expense)	$(2,064,413)	$(2,187,099)	$(703,188)	$(750,724)
Provision for income tax expense	6,085	3,687	2,368	739
Net Loss	$(2,070,498)	$(2,190,786)	$(705,556)	$(751,463)

SEE ACCOMPANYING NOTES

Senior Thrift Certificates	(1,813,208)	(2,523,785)
Subordinated Debentures	(3,782)	---
Distributions Paid:		
Prime Rate Cumulative Preferred Shares	(2,107)	(9,413)
Adjustable Rate Cumulative Preferred Shares	-0-	(22,044)
Net Cash Provided By Financing Activities	3,379,758	1,388,146
Increase (decrease) in cash	(874,981)	(1,263,522)
Cash, Beginning of Year	1,312,378	1,986,731
Cash, End of Year	$ 437,397	$ 723,209

SEE ACCOMPANYING NOTES

WALNUT EQUIPMENT LEASING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

	Prime Rate Cumulative Preferred Shares No. of Shares		Adjustable Rate Cumulative Preferred Share No. of Shares		Total		
	Issued	Amount	Issued	Amount	Common Stock	Accumulated Deficit	Shareholders' Deficit
Balance, April 30, 1991	281	$ 5,283	275	$ 275	$101,500	$(14,056,005)	$ (13,948,947)
Net Loss, for the nine month period ended January 31, 1992 (unaudited)	...	...	...	...	...	(2,070,498)	(2,070,498)
Cash distributions paid on Prime Rate Cumulative Preferred Shares (unaudited)	...	(2,107)	...	...	...	...	(2,107)
Balance, October 31, 1991 (unaudited)	281	$ 3,176	275	$ 275	$101,500	$(16,126,503)	$(16,021,552)

SEE ACCOMPANYING NOTES

1. FINANCIAL STATEMENT PRESENTATION

The unaudited interim financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction wth the audited financial statements and notes thereto for the year ended April 30, 1991. The accompanying interim financial statements have not been audited by independent certified public accountants, but in the opinion of management, such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to summarize fairly the results of operations, and are not necessarily indicative of the results to be expected for the full year.

2. ACCOUNTING POLICIES

Method of Consolidation

The unaudited interim consolidated financial statements of Walnut Equipment Leasing Co., Inc. for the nine month periods ended January 31, 1992 and 1991, respectively, include the operating results of its wholly-owned subsidiary, Equipment Leasing Corporation of America ("ELCOA"). All intercompany items have been eliminated for purposes of preparing the consolidated financial statements contained herein.

Accounting for Leases

The Company's lease contracts provide for total noncancellable rentals which exceed the cost of the leased equipment plus anticipated financing charges and, accordingly, are accounted for as financing leases. At the inception of each new lease, the Company records the gross lease receivable, the estimated residual value of the leased equipment, and the unearned lease income. The unearned lease income represents the excess of the gross lease receivable plus the estimated residual value over the cost of the equipment leased. For leases originated prior to May 1, 1988, a portion of the unearned lease income equivalent to the initial direct costs incurred, plus a provision for uncollectible accounts, were recognized as income on the lease commencement date. The remainder of the unearned income was recognized as income using the sum-of-the-months' digits method. For leases originated after April 30, 1988, the Company has changed its method of accounting to conform with the requirements of FAS No. 91 "Accounting for Non Refundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Cost of Leases". Under this method initial direct costs as defined by FAS No. 91 ($68,851 and $107,126 for the nine months ended January 31, 1992 and 1991, respectively) were accounted for as part of the Investment in Direct Financing leases.

Unearned income is earned and initial direct costs are amortized to direct finance lease income using the interest (or "effective") method over the term of the lease.

An allowance for doubtful direct finance lease receivables has been maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of delinquent receivables. The allowance is increased by provisions charged to operating expense and reduced by charge-offs. Prior to May 1, 1988, the Company transfered an amount equal to such provision from unearned income to revenue at the inception of each lease. The level of the allowance has been based upon historical experience of collections and management's evaluation of estimated losses as well as prevailing and anticipated economic conditions. Management evaluated the resulting allowance at least annually in conjunction with the examination of the Company's books of record. After considering historical experience and prevailing and anticipated economic conditions, additions to the allowance as a result of this evaluation were charged to operations without a corresponding transfer from unearned income at year end. Beginning May 1, 1988, the allowance has been increased by provisions charged to operating expense based upon a periodic evaluation, performed at least quarterly, of delinquent finance lease receivables. Pursuant to FAS 91, reserves are established to reflect losses anticipated from delinquencies and impairments that have already occurred rather than ultimate losses expected over the life of the lease portfolio. Total write-offs charged against this reserve for the nine months ended January 31, 1992 and 1991 were $327,555 and $204,522, respectively.

Income Tax Expense

Both the Company and ELCOA will be included in a consolidated federal income tax return. However, the Company and ELCOA will not file a consolidated income tax return for state income tax purposes. Each Company will be subject to state income taxation on each Company's separate income as computed for state tax purposes. During the nine months ended January 31, 1992 and 1991, ELCOA recognized provisions for state income taxes in the amounts of $6,085 and $3,687 respectively, on its separate income. No provision for federal income taxes was necessary.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Operations

Comparision of Nine Months Ended January 31, 1992 and 1991

Revenues

Total revenues from direct finance leases for the nine months ended January 31, 1992 increased 25.8% or $548,307 as compared to the nine months ended January 31, 1991. Aggregate new lease receivables entered increased to $9,736,005 for the nine months ended January 31, 1992 from $6,478,095 for the nine months ended January 31, 1991. Management attributes this increase to increased advertising of its leasing services in trade association publications, and an increase in new vendor contacts and referrals through use of telemarketing, and commencement of increased interractions with equipment manufactures and their distribution networks utilizing the Company's advertising facilities. The Company is continuing its efforts in contacting vendors of small-ticket equipment, some of whom are discovering fewer lessors willing to accept small ticket items under 5,000. Unearned income during the nine months ended January 31, 1992 increased by $870,881 in comparison to an increase of $175,045 for the nine months ended January 31, 1991. The recognition of direct finance lease income reflects the composite aging of the underlying leases in the portfolio, as well as application of FAS No. 91, to outstanding leases after May 1, 1988 which affects leases originated after April 30, 1988, and changes the method used to recognize income and expense items. FAS No. 91 does not change the total income and expenses ultimately to be recognized from each transaction. The Company is continuing to increase its efforts in contacting new equipment vendors to further increase the level of new business. The Company has also increased follow-up contacts to new prospective equipment vendors through in-house telemarketing, and solicitation of equipment manufacturers and believes that increased personal contact is one of the principal reasons for an increasing number of new vendors providing equipment for lease during the nine months ended January 31, 1992.

The limited use of the operating lease equipment program resulted in $1,000 of equipment being purchased for operating leases for the nine months ended January 31, 1992, and $3,680 for the nine months ended January 31, 1991. Operating lease rental income increased by $5,164 in the nine months ended January 31, 1992 as compared to the nine months ended January 31, 1991, primarily due to the renewals of operating leases, with fewer lease terminations occurring in the current fiscal year.

Interest Expense

For the nine months ended January 31, 1992, interest expense increased $328,544 or 16.0% as compared to the nine months ended January 31, 1991. Total interest expense (disregarding interest income) averaged 10.7% on average total borrowings (including accrued interest) of $30,003,568 for the nine months ended January 31, 1992 as compared to 11.1% on average total borrowings (including accrued interest) of $25,685,920 for the nine months ended January 31, 1991.

Other Expenses

Lease origination expenses decreased 2.5% or $18,152 for the nine months ended January 31, 1992, compared to the corresponding period ended a year earlier. Lease origination expenses, including capitalized commissions paid, were 7.9% of new financing lease receivables during the nine months ended January 31, 1992 as compared to 12.7% for the nine months ended January 31, 1991. The decreased percentage in the period ended January 31, 1992 is attributable to an increased volume of new leases added during the period, and to termination of non-producing telemarketing representatives. During the nine months ended January 31, 1992 and 1991, commissions of $68,851 and $107,126, respectively, were paid and included as lease origination expenses during the period. The Company is accepting, on a limited basis, new lease applications from outside lease brokers, and is emphasing direct contacts with new equipment vendors through telemarketing and trade association advertising. The Company believes that increasing new leases generated from repeat vendors that are being attracted through its marketing efforts will further decrease the overall percentage of total lease origination costs in comparison to new lease volume, as the natuare of these costs in general are fixed.

General and administrative expenses increased by $110,078 or 8.8% for the nine months ended January 31, 1992, compared to the corresponding period in 1991, due primarily to increased fees paid to the transfer agent, Financial Data, Inc., an affiliate, increases in expenses associated with the sale of debt securities, increased personnel in the collection and bookeeping departments, and routine salary increases to employees.

An allowance for doubtful direct finance lease receivables is maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of these receivables. The allowance is increased by the provisions charged to operating expense and reduced by chargeoffs. See Footnote 2 to the Interim Consolidated Financial Statements for a more detailed discussion of the accounting for the provision for doubtful accounts.

Comparision of Three Months Ended January 31, 1992 and 1991

Revenues

Total operating revenues for the three months ended January 31, 1992 increased 27.5% or $206,666 as compared to the three months ended January 31, 1991. Aggregate new lease receivables entered increased to $3,525,360 for the three months ended January 31, 1992 compared to $2,110,963 for the three months ended January 31, 1991. The Company attributes the increase in new leases entered during the current fiscal year to its telemarketing efforts in attracting both new equipment vendors, increased new business from existing vendors, new vendors generated through its advertising efforts in trade association publications and the utilization of the Company's advertising facilities in providing equipment manufacturers assistance in promoting the Company's leasing services throughout their dealer distribution network. Deferred income from outstanding direct finance leases increased by $322,843 during the three months ended January 31, 1992, after having increased by $35,126 during the three months ended January 31, 1991.

Interest Expense

For the three months ended January 31, 1992, interest expense increased $117,116 or 16.6% as compared to the three months ended January 31, 1991. Total interest expense (disregardng interest income of $5,847 and $21,692 during the three month periods ended January 31, 1992 and 1991, respectively,) averaged 10.6% on average total borrowings (including accrued interest) of $31,233,489 for the three months ended January 31, 1992 as compared to 11.0% on average total borrowings (including accrued interest) of $26,532,066 for the three months ended January 31, 1991.

Other Expenses

Lease origination expense increased 4.4% or $10,761 for the three months ended January 31, 1992, compared to the corresponding period ended a year earlier. Lease origination expenses, including capitalized commissions paid outside leasing brokers, were 7.8% of new financing lease receivables during the three months ended January 31, 1992 as compared to 12.5% for the three months ended January 31, 1991. This reduction resulted from increased new lease volume generated with minimal incremental costs. In addition, $22,425 and $21,278 in commissions paid outside lease brokers and vendors during the three months ended January 31, 1992 and 1991, respectively, were capitalized and not charged to expense.

General and administrative expenses increased by $28,574 or 6.4% for the three months ended January 31, 1992, compared to the corresponding period in 1991, due primarily to increased collection and bookeeping personnel, additional costs paid to the law office associated with the collection of delinquent leases and increased costs associated with the registration, solicitation and transfer agency fees associated with the debt securities offered by the Company.

An allowance for doubtful direct finance lease receivables is maintained at a level considered adequate to provide for estimated losses that will be incurred in the collection of these receivables. The allowance is increased by the provisions charged to operating expense and reduced by chargeoffs. See Footnote 2 to the Interim Consolidated Financial Statements for a more detailed discussion of the accounting for the provision for accounts.

Capital Resources and Liquidity

The Company has financed its growth to date primarily from proceeds of debt securities offered to the public. The Company has not experienced any difficulty in financing the purchase of equipment that it leases at current levels.

Taking into consideration new business, the Company's cash and unhypothecated leases on hand, anticipated renewal of a portion of the Company's borrowings, anticipated sales of senior debt and other resources, it is management's opinion that its cash will be sufficient to conduct its business and meet its anticipated obligations during the current fiscal year. The Company attributes the increased redemptions during the nine month period ended January 31, 1992 to investor concerns over Persian Gulf crisis. No assurance can be given that the redemption of senior and subordinated borrowings will not exceed the Company's expectation or that a substantial portion of its offering of Senior Thrift Certificates or the offering by Equipment Leasing Corporation of America of its Demand and Fixed Rate Certificates will be sold. In view of the Company's history of losses, the uncertainty with respect to future interest rates to holders of its unsecured borrowings, the potential redemption of senior and subordinated borrowings and the uncertainty as to the sale of its offering of Senior Thrift Certificates, and of the sale of the Demand and Fixed Rate Certificates, management is unable to estimate the Company's future profitability and liquidity beyond the current fiscal year. If the Company continues to have losses, it may have difficulty in servicing its debt in future years. Management attributes its losses during the current fiscal year to the size of its lease portfolio relative to its fixed costs, including interest on outstanding debt. Management is currently exploring various means of increasing its new leases entered and the outstanding portfolio. See "Consolidated Statements of Cash Flows" on page 5 of this report for an analysis of the sources and uses of cash by the Company during the nine month periods ended January 31, 1992 and 1991, respectively.

For a complete discussion of liquidity and capital resources for the fiscal year ending April 30, 1992, reference is made to the "Capital Resources and Liquidity" section of Form 10-K filed on June 28, 1991 (as amended by Form 8 amending Form 10-K filed on August 21, 1991) for the fiscal year ended April 30, 1991.

PART II

OTHER INFORMATION

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K

A report on Form 8-K (Item 5) was filed on January 17, 1992 contained a press release regarding the Company's informal arrangement with an equipment manufacturers to combine its marketing abilities to market the Company's lease programs to their dealer distribution network, utilizing the Company's advertising facilities.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WALNUT EQUIPMENT LEASING CO., INC.

William Shapiro

William Shapiro, President and
Chief Financial Officer

March 13, 1992
Date